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Agents Believe Selling Will Become Tougher In Few Years, LIAMA Finds

Agents are more "sold" than they were a year earlier on the guaranteed insurability option and on premium gradation by size as developments that are likely to benefit the public, and a greater percentage of agents now believe it will become harder to earn a living selling life insurance in the next few years.

These are the principal changes in agents' attitudes disclosed in the LIAMA 1959 survey of agency opinion as compared with the 1958 survey. Most of the other points on which the panel of 5,000 NALU members was quizzed disclosed no significant change in attitude, though so far as possible no individual member was questioned in both studies.

32% See Tougher Selling Ahead

Thirty-two percent of the approximately 1,500 members who sent in usable questionnaires believe it will become harder to earn a living selling life insurance in the next few years. This compares with 25% a year ago. New agents—less than five years' service—continue to be more optimistic than the experienced men, but the difference is less pronounced than in the previous study.

While the spread of group coverage and the increase in group limits continues to be the most frequently mentioned reason for "pessimism" (mentioned by 35%), this reason is not given so often as it was in the 1958 survey. Other insurance competition—whether from other life agents and companies or from casualty and fire companies and brokers selling life insurance—is also less frequently mentioned than in 1958.

'Outside' Reasons Cited More

In contrast, the 1959 respondents mentioned reasons outside the insurance business more often than did their 1958 counterparts: competition from other sources of investment, such as stocks, mutual funds, and the like; the effect of inflation on the consumer, increase in social security benefits and coverage, and "increased competition" with no specified source.

Even though fewer respondents were optimistic in 1959 than in 1958 about their prospects for earning a living selling life insurance, well over one-third of the 1959 respondents believe it will become easier to earn a living selling life insurance in the next few years, LIAMA points out. The main reason these agents give is the growing public acceptance and awareness of life insurance.

Interest in and liking for the job of agent continues at a high level. The questionnaire contained 58 multiple-choice questions to measure morale and attitudes toward such aspects of the job as working conditions, compensation, prestige, training, home office functions, and agency management.

The items appear in the form of positive statements and the respondent could underline "strongly agree," "agree," "?" or "disagree." On the average the proportion who "strongly agree" has declined 3% for agents, 4% for agency heads and 2% for supervisors since the 1958 study. While the decline was relatively insignificant, it was consistent and occurred on almost all questions and, for agents, among each length-of-service category.

Gives Sense Of Accomplishment

Regardless of the shift in attitudes, the field men continue to be well satisfied with their job. In particular, they find the job interesting and one that gives them a definite sense of accomplishment.

The men believe that their jobs have prestige in the eyes of their families and friends, that the public's attitude toward life insurance is favorable, and over seven out of 10 agree that the public's attitude toward agents is favorable.

However 42% of agents are not willing to agree that the caliber of men selling life insurance is high.

Like Variety Of Policies

Agents also think that companies are doing a good job of bringing out a variety of policies and in encouraging agent growth and development but are critical of companies for emphasizing volume to the detriment of quality and for not doing more to reduce turnover.

Only 4% of the full-time agents do not agree that companies offer a wide enough variety of policy plans. Eighty-

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Nw Mutual Has Its First $1 Billion Year

Total 1959 sales in excess of $870 million, a record high and more than 19% above 1958, were achieved by Northwestern Mutual Life. Sales in excess of $90 million for December alone were some $16 million higher than in the same month last year and the highest for any December in history. December was the 19th consecutive month in which Northwestern Mutual's sales were ahead of those for the comparable month in the preceding year.

More than $54 million of paid up additions and $74 million in conversions last year would boost the 1959 sales of $870 million to more than $1 billion.

Eighty-six of the company's 96 general agencies showed an increase in paid business in 1959, and in December alone 33 general agencies paid for more than $1 million.

The company had the two best months in its history last year—May, with more than $100 million, and December, with more than $90 million.

No-Interest Policy Loans Result From Zero Reserve Rate

'Paying Interest On Your Own Money' Criticism Is Eliminated By Novel Plan

PHILADELPHIA—People who can't or won't understand the fairness of "paying interest on their own money" when they borrow on their policies will soon be able to buy a policy that will require no interest on loans made against it.

The new policy, of course, does not violate the ancient maxim that there is no such thing as free lunch. The reason that no interest is charged on policy loans is simply that the policy has no interest assumption in the reserve basis.

No Laws To Change

To some, this may seem like constructing a gun without a trajectory, but it is actually quite simple. It is not even necessary to get state laws changed. Laws provide a maximum interest assumption of 3½% but none specify a minimum rate, so there is no prohibition against using a zero interest assumption.

Since the company doesn't depend on earning an assumed rate of interest to maintain its policy reserves, the elimination of the interest charge on policy loans doesn't keep the company from accumulating the required reserves solely from premium payments.

No Inequity Involved

This doesn't mean that non-borrowing policyholders are treated inequitably as compared with those who take advantage of the interest-free loan privilege. Non-borrowers will receive interest on their cash surrender values

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N. Y. I-Day Proclaimed, Honoring Department On 100th Anniversary

Gov. Rockefeller has proclaimed Jan. 21 as insurance day to honor the New York department on its 100th anniversary. The date coincides with the banquet at the Waldorf-Astoria Hotel commemorating the department's centennial.

Banquet tickets may be obtained from J. Dewey Dorsett, general manager of Assn. of Casualty & Surety Companies, 60 John Street, New York 38, N. Y. Mr. Dorsett is chairman of the centennial committee's finance subcommittee.

As part of the celebration, the insurance industry committee for the department's centennial has published a history of the department, "In the Public Interest," written by John Gudmundsen, Westport, Conn., historian.

To Continue Hearing On Suicide Provisions In Guaranteed Insurability

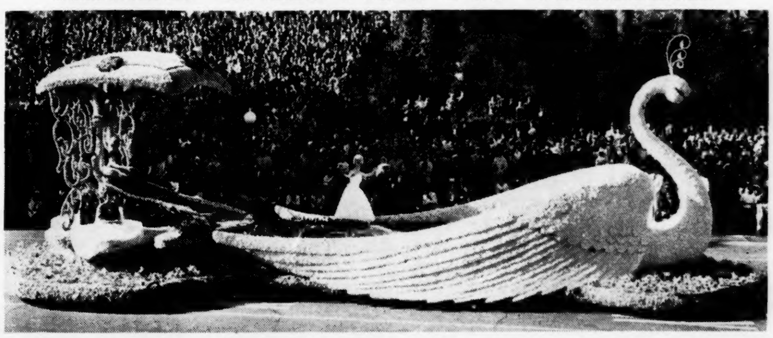
NEW YORK—The hearing on suicide and other incontestable provisions of policies having the guaranteed insurability option will be resumed the morning of Jan. 22 at the office of the New York department here.

Most of the companies issuing the contract want the suicide and incontestable provisions to start running anew each time the insured takes advantage of his right to buy additional insurance.

The New York department thinks the restrictive provisions should apply only following issuance of the original policy.

Hearings were recently held here but neither side succeeded in convincing the other.

Another Grand Prize For Occidental



For the third time in the past five years, Occidental Life of California won the grand prize in the Tournament of Roses parade in Pasadena on New Year's Day. The grand prize is awarded to the most beautiful commercial entry.

Shown in the above picture, the company's float was titled Swan Lake. Hundreds of orchids and thousands of mums, roses and carnations were among the more than 300,000 flowers used on the 55 feet long, four ton float.

Occidental floats have always honored past Rose Queens, and Miss Pamela Prather, 1959 queen, rode on the company's float this year. Sitting beside the throne were two princesses from the queen's court, one of whom, Carole Mark, is the daughter of W. M. Mark, senior mortage loan officer of Occidental.

Talk-Back Films Train Agents By Duplicating Live Sales Situations

By WILLIAM MACFARLANE

Suppose a training technique were devised that would permit an agency head to throw a raw circuit into a sales situation where he could make all the usual blunders, where he could then profit by these mistakes and thereby eventually develop into a confident producer—all without losing a single sale? What would this be worth to a manager, general agent or home office in terms of time and money?

Obviously, quite a lot.

Well, such a technique is now being made available by the Rough Notes Co. of Indianapolis through a sound movie that puts the trainee right into typical sales situations and makes him talk up to some typical tough prospects whose pictures and voices can be reproduced as often as desired.

The films, produced by Seminar Films, Inc., of New York City, are of the "loop" variety, meaning that as soon as one has been played it is ready to play again without any time-consuming and distracting rewinding.

The idea behind the Seminar loop film technique is that good salesmanship is a professional skill that can be developed only through practice. The technique, therefore, is not an educational program, but a training course, designed to provide that missing link between educational tools and actual field work.

Education—or orientation, if you want to call it that—wherein the novice agent is made familiar with what life insurance is, the types of policies his company issues, how an agent should dress and comport himself in the field and so forth—all this is left to other media like films specifically designed for this purpose, trade literature, company manuals and lectures by training experts. Seminar films are not meant to replace this other educational material, but instead, simply to implement it.

The seminar program devotes itself exclusively to the very practical aspect of learning to sell by doing, with the built-in safeguard for the agency or company of not having the newcomer to the business muff a sale while in the process of early training.

Seminar films, of which there are five in the series syndicated by Rough Notes, incorporate a principle of talking back to the agent just as a prospect would in a real sales situation. Because they are mounted on a special loop cartridge, the films may be played over and over again without

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Brooklyn Agents Sales Conference Program Set

The program has been completed for the annual sales conference of the Brooklyn branch of New York City Life Underwriters Assn. in the Colonnade Room of the Hotel St. George, Jan. 20.

Theme of the program is "The 'Will' to a Successful Life Insurance Career —Sales Approaches to Bigger Commission Dollars." Speakers include Bernard M. Eiber, New York attorney, who will discuss "The Personal 'Will' Approach to Life Insurance Sales." He will be followed by B. William Steinberg, general agent of Massachusetts Mutual at New York, who will review "The Business 'Will' Approach to Life Insurance Sales." Final speaker will be Seymour V. Abrams, general agent of Penn Mutual at Brooklyn, who will describe "The Key to the Sale."

Bernard Gorson, general agent of John Hancock, is chairman of the conference.

Mrs. MARTHA H. BUDLONG, 84, widow of Edwin C. Budlong, former vice-president of Federal Life of Chicago, died in suburban Evanston. Surviving are three sons, all having an insurance connection—Theodore W., retired public relations manager of National Board of Fire Underwriters; Richard C., editor of Life Insurance Selling and the Local Agent magazines of St. Louis, and Roger W., former editor of a magazine for brokers and another for insurance buyers and now in the public relations business in Oregon.

WILLIAM B. WARE, 53, general agent of John Hancock at Memphis since 1950, died as a result of injuries sustained in an automobile accident which occurred Dec. 19. He entered the life business in 1938 with John Hancock at Charleston, W. Va., and became supervisor at Atlanta in 1948. Mr. Ware, a CLU, was president of Memphis General Agents & Managers Assn.

Oakes Executive V-P Of Republic Natl.; Others Advanced

Republic National has advanced Barry Oakes from administrative vice-president and general counsel to executive vice-president and has made three other executive promotions and an addition to the legal staff. Rex Beasley, vice-president of home office operations, becomes vice-president and coordinator of home office operations; John F. Holt, vice-president and associate general counsel, is vice-president and general counsel; Thomas G. Nash Jr. has joined the company as assistant general counsel, and Jesse A. Sanders III, assistant vice-president of securities, has been appointed vice-president of securities.

Barry Oakes

Rex Beasley

John F. Holt

Thomas G. Nash

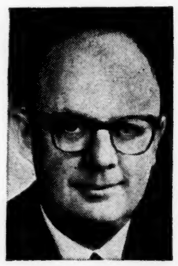
J. A. Sanders III

Formerly with the FBI, Mr. Oakes joined Republic National in 1958. He became administrative vice-president and general counsel last March. He is a director and serves on all committees.

Mr. Holt, former assistant district attorney of Dallas County, joined the company in October. Mr. Nash, prior to joining the company, was also an assistant district attorney of Dallas County. Mr. Sanders has been with Republic National since 1953.

Cal. Agents Back Reelection Of Wood For NALU Trustee

R. Edwin Wood, Phoenix Mutual, San Francisco, has been endorsed by California Assn. of Life Underwriters for reelection as trustee of NALU. He was first elected in 1958.



R. Edwin Wood

A CLU, Mr. Wood is currently chairman of the NALU committee on agents. He was chairman of the social security and nominations committees and recently testified before the House ways and means committee on behalf of NALU.

He is past president of the California and San Francisco associations and has been national committeeman of the latter for 12 years. He is a life and qualifying member of the Million Dollar Round Table.

Cox Retires As Aetna Life General Counsel

Berkeley Cox has retired as general counsel of Aetna Life after 35 years with the company.

Berkeley Cox

He joined Aetna Life in 1925 and was named general counsel in 1955.

Mr. Cox is a former chairman of the legal section and of the committee on insurance regulation of American Life Convention, of the governing committee of Bureau of A&H Underwriters.

Michigan Life Attains $400 Million

Michigan Life has topped the $400 million mark in insurance in force by more than $5 million. Volume during 1959 was $65 million.

Broader Coverage, Greater Efficiency Predicted For A&S

A broadening of coverage in loss-of-time disability income, hospital and surgical insurance after retirement and a general expense reduction in A&S insurance were predicted by James L. Kirkpatrick, president of the Southeastern Actuaries Club, at a recent meeting.

Mr. Kirkpatrick, who is vice-president and actuary of Southern Life, predicted that electronic computers would continue to cut expenses. Agency compensation, he said, would change and provide a greater incentive to the career man, and there would possibly be a trend toward leveling of commissions, already apparent in some life coverages.

Mr. Kirkpatrick went on to suggest that there is a movement toward simplified policy forms, simplified reinsurance procedures, and extension of supervision of insurance departments as the result of new products being brought out by the companies.

The question of whether or not actuaries and agency men should sit on underwriting committees of life companies came up in a panel discussion during the meeting. It was observed that the underwriting man does not necessarily understand field problems, but the agency man who is responsible for training the agent should grasp the essentials of underwriting if he is to pass them along to the field forces. A knowledge of trends and statistics makes the actuary useful at underwriting committee meetings, it was suggested.

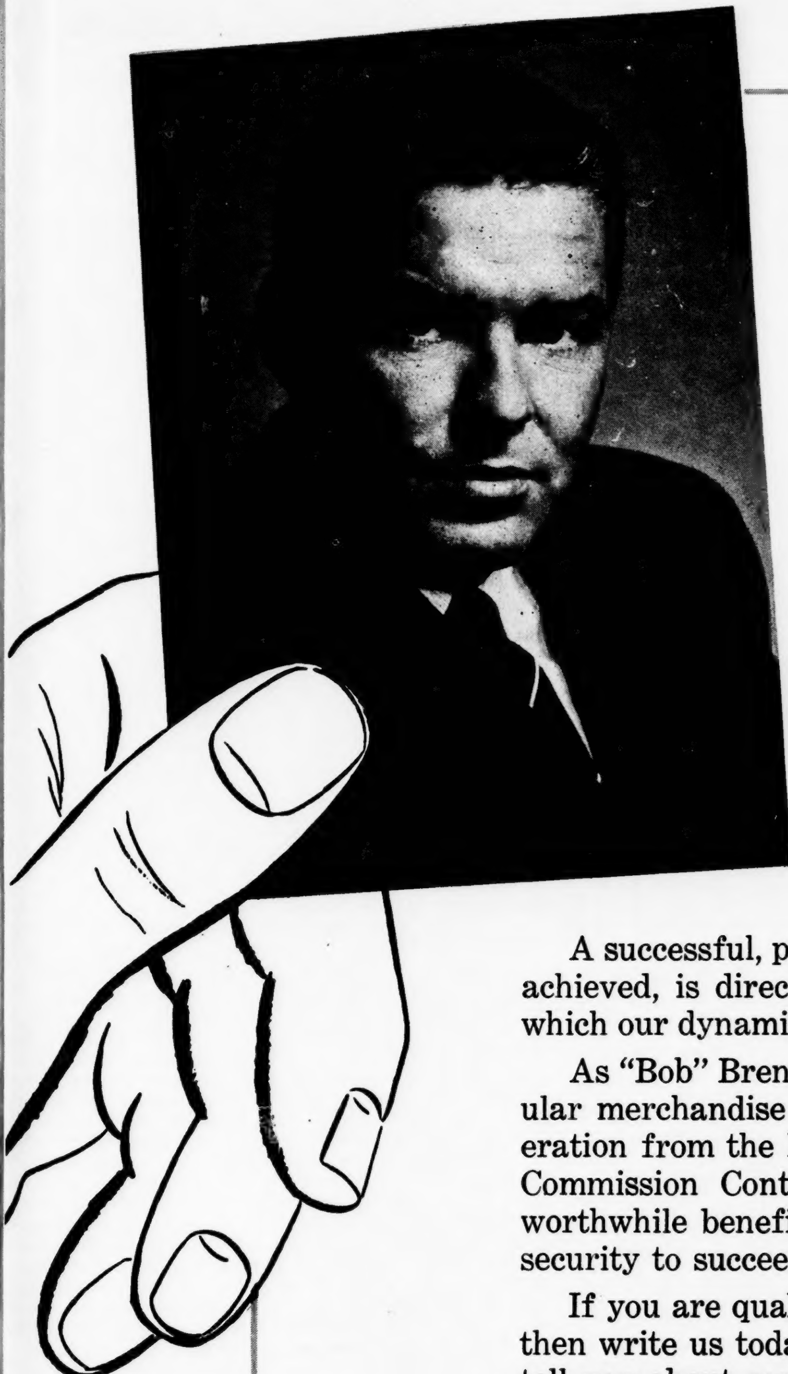
The relative virtues of coinsurance as against yearly renewable term were taken up by the panel. Coinsurance could be more desirable on participating business, assuming operating results and dividends are approximately the same, and as a financing medium for a small company, particularly on deficiency reserve business and highly competitive policies. Recapture of coinsurance was not considered practical.

Yearly renewable term, on the other hand, is easier to handle, is subject to recapture, and theoretically would cost the company less.

The considerations in setting retention limits would be: The probable effect of the retention on a year's operating result, the amount of current surplus, the probable change in the surplus in the foreseeable future, underwriting skills of the ceding company, and potential overlap in other coverages such as double indemnity or group insurance. Most companies retained less substandard insurance because of the broader experience of the underwriters of the reinsurance companies.

Most companies grade retentions also by age, because there is less spread of risk at the older ages. It was pointed out, however, that generally there is more profit on old age policies than on younger.

The reinsurability of guaranteed insurability riders was discussed, and it was brought out that most reinsurers will accept coinsurance as a rider only, without also reinsuring a portion of the basic policy. They also generally will agree to accept the conversions upon payment of a single premium, to take care of adverse selection, in addition to the regular reinsurance premium on the option policy.



Institute Of Life Insurance Releases New Public Service Film On Inflation

Scene from Institute of Life Insurance's animated film on inflation, "Trouble in Paradise." Cartoon figure representing a citizen of Paradise, the mythical country featured in the 16mm color film, is shown contemplating the higher taxes necessary to keep up his country's defenses.

Institute of Life Insurance has released its new 16mm sound motion picture "Trouble in Paradise," which is produced by the institute and tells the simple, graphic story of inflation—its causes, consequences and cures.

The film, a 12½-minute animated cartoon in full color, is part of the institute's continuing program on behalf of the life business to call public attention to the long-range dangers of an inflationary economy. It was produced primarily to provide a visual aid for industry speakers who have been asked to discuss inflation before community groups, service clubs, schools and business organizations. However, because of its short length and subject, it is also suitable for public affairs programing on television.

Award Winner

The cartoon film was previewed at the institute's annual meeting in December, and was favorably received by that group of life company executives. In addition, "Trouble in Paradise" has recently been selected by the awards board of Film Media, a leading motion picture trade magazine, as the outstanding public relations film produced in 1959.

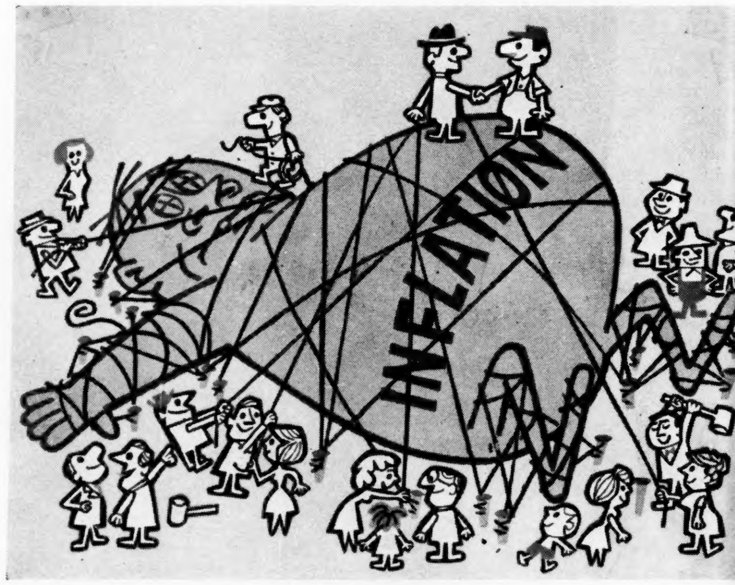
In order to obtain wide circulation for the film, the institute will use the nationwide facilities of Association Films, Inc., for free-loan distribution of 100 prints. The film will be made available to non-life insurance groups, but life companies, local agent associations and other in-business organizations will be given first preference on loan requests. Prints may also be purchased directly from the institute for the cost price of $60 each.

The film is supplemented by a 12-page booklet which summarizes the main points of the film and serves as a permanent record for those who have seen it. The booklet will be available from the institute at 3 cents per copy.

The place "Paradise" in the film is a mythical country that faces financial difficulties caused by inflation, which is represented by the familiar gremlin-like figure used in recent institute newspapers. Using limited animation, a technique frequently employed in television commercials, the film traces the economic problems faced by the citizens of Paradise in maintaining the stable value of their "parabuck" currency.

As "Trouble . . . " progresses—and as the audience watches the citizens of Paradise inadvertently creating inflation, then feeling its ruthless squeeze—it finds the mysteries of this complex subject gradually dissipating. Finally, the citizens of Paradise come to understand the nature of inflation. By working together they manage to immobilize their enemy. As the story ends, Paradise stands on the threshold of a new era of real prosperity and growth, without inflation.

The film was produced for the institute by Institute of Visualscope, Inc. of New York.



Another scene from Institute of Life Insurance's animated color film on inflation, "Trouble in Paradise." Cartoon figures, the citizens of Paradise, are shown after they have successfully licked their inflation problem.

New Damage Suit Filed In Denver Insurer Dispute

Professional & Business Men's Life of Denver has filed a $4 million damage suit in district court against Bankers Reserve Life of Denver. Professional & Business Men's is joined in the action by Underwriting Corp. of Denver, while an additional defendant is United Reserve Underwriters.

It is charged that five former employes of Professional & Business Men's Life "conspired among themselves and with other agents and employes . . . to leave the employ of Professional & Business Men's and join a competing organization to deprive Professional & Business Men's and Underwriting Corp. of valuable contract interests."

Among the defendants is William P. White, former president of Professional & Business Men's, who resigned in the middle of 1958 and filed suit against Professional & Business Men's Life and its president, B. F. Biggers, charging, among other things, that Mr. Biggers "had the intention of destroying Professional & Business Men's as a business entity."

In the new suit, Professional & Business Men's seeks to have Bankers Reserve and United Reserve stopped from inducing Professional & Business Men's employes to leave the company, to prohibit Bankers Reserve from offering any insurance policy or stock to any shareholder of Professional & Business Men's, to offer refunds to all Professional & Business Men's policyholders or shareholders who hold stock or policies in Bankers Reserve or United Reserve, and to award damages of $4 million to Professional & Business Men's.

In the suit filed by Mr. White and five other stockholders against Mr. Biggers and Professional & Business Men's, $743,000 was asked in damages.

Mich. Blue Cross To Try Home Coverage Test

Michigan Hospital Service (Blue Cross) will give a one year trial to a pilot group for extension of service in homes following hospitalization.

There will be no added charge for the service, which will include nursing, social worker and therapist visits, laboratory tests, drugs and dressings as prescribed.

The program will be co-sponsored by Visiting Nurse Assn. of Detroit and will be tried on the Fenestra Inc. C group of Detroit from 300 patients to be chosen by their doctors for earlier discharge from the hospital while the plan is in operation.

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The Indianapolis office of **Continental Assurance** has moved to larger quarters in the Circle Tower Building. James A. Barbour is manager.

Cash In On New Insurance Needs, Nw Mutual Agents Told At Rally

Specific examples of how estate analysis and business insurance can lead the agent into fertile country were given by a group of speakers at the Northwestern Mutual eastern regional conference at New York. The emphasis was on protection of estates against tax erosion and especially on the new opportunities open in the business insurance field.

Marvin L. McCarthy, superintendent of advanced underwriting training, opened the session with a talk on the stock option as an undeveloped market for insurance. Stock options are an excellent way to remunerate executives, but they present an estate problem of considerable proportions.

Options Bring Tax Difficulty

The difficulty is that often the estate does not have the liquid assets available to pay the tax on the stock option. Options of this sort are non-transferrable—cannot be sold or exercised by anyone except the owner or his widow—and are taxable as a long-term capital gain.

The desire or ability of the widow to raise the cash and execute the option has no relevance to the tax problem; the stock option is property and cannot simply be thrown in the wastebasket. Since liquidation of stock can be a difficulty, Mr. McCarthy explained, there is a great opening for added life policies to cover the tax bite.

Business Insurance Is Untilled Field

A McGraw-Hill survey shows the relatively unsaturated situation of business insurance, said E. Benjamin Redfield Jr. While 97% of the businesses polled have some fire insurance, only 13% have business insurance, and only 3% have key-man coverage. This fact, coupled with the tremendous boom in small businesses in recent years, dramatizes the market potential for business insurance, Mr. Redfield said.

The fact that a small corporation might have to be sold at a loss at the death of the owner gives him an added incentive to be adequately insured. Mr. Redfield also pointed out that it is a lot easier to sell a policy where the corporation will be paying the premium than it is when the premium will come right out of the executive's pocket.

In addition to a policy on the life of the senior officer of the business, there are exciting possibilities in the field of insuring the young man whose importance to the business is mostly potential. He is a good target for the life-65 contract with the corporation as beneficiary.

Mr. Redfield gave an example of an initial sale on the life of the son of the chief executive of a company, which eventually turned into $2 million paid-for involving key man coverage, deferred compensation, and life policies on principal stockholders.

"It all started with the pride of a man for his son," Mr. Redfield said.

Advises Knowledge For Agent

John P. Propis, Buffalo, compared the agent in business insurance to the boxer.

"You must know how to hook, jab, or smash, depending on the timing," he said.

Mr. Propis gave what he called "a simplified method of pursuing the corporate dollar." In addition to having a pleasing and intelligent personality, Mr. Propis prescribed a large dose of knowledge. Learn about the trust instrument, he said. See how to avoid state taxes and unwarranted surplus accumulation taxes (38½% for amounts over $100,000).

"With this accumulation of information you are ready to go out and sell," Mr. Propis said.

Jack P. Fine, Richmond, Va., said that in selling insurance where estate analysis is involved, he gets a commitment right at the outset for referrals and exclusive rights to write the policies of the prospect. He aims always to make a substantial sale, to present a professional attitude, to present the material in a simple manner, and to do no extensive service work after the deal is closed.

Francis B. Donovan showed how a series of tax advantages can be found in the trust instrument, especially in the field of capital additions to trusts, so as to keep within the limits of "present interest" and fully use the $3,000 annual gift tax exemption.

William Lloyd spoke on how to expose problems—rather than solve them—in handling estate problems. The agent's job, he said, is "to seek out hidden uninsured risks in a man's estate tangle." Mr. Lloyd uses a before-and-after technique to bring out the insurance needs of the client.

"In a sense, this technique is like writing a three-act play," he said.

Act 1 uncovers how badly the prospect's estate would do in its present state if he were to die. Act 2—What can he do about it now? Act 3—How things will come out after the recommended coverage has been added.

Mr. Lloyd shows the prospect in detail a hypothetical probate of the prospect's estate as it has been up to now. After the man has become concerned, a second "probate" is made with the necessary insurance.

Shows Liquid Assets Insufficient

A probate of this sort answers the following questions: What properties does your prospect own? Who will inherit each of these properties? How much will it cost to settle the estate? Which assets should be sacrificed to pay these costs? What assets will remain after the estate has been settled? How much income will the widow and children have?

The probate can bring out the fact that liquid assets are insufficient for costs. Insurance can be written to cover stock options which are taxed in the estate. An alternative would be to go in hock to exercise the options and buy a life policy to cover the loan.

Reconciliation Of Minn. Blue Plans Possible

ST. PAUL—Leaders of Minnesota Blue Cross and Blue Shield are voicing the possibility of a reconciliation between their organizations, but until something happens both groups are going after each other's business.

Blue Cross is doing extensive advertising in state newspapers for its subsidiary, Minnesota Indemnity, which is authorized to write pre-payment medical, surgical and obstetrical coverage, a field heretofore exclusively Blue Shield.

Blue Shield is looking for salesmen for its subsidiary, Minnesota Medical Service.

Dr. C. A. McKinlay, president of Blue Shield, admitted that "reconciliation may be harder now, but it is a thing many of us have desired and will continue to work for."

Donald J. Condon, executive vice-president of Blue Cross, expressed the belief that the organizations will patch up their differences.

Interstate L.&A. Policy Of Hiring Handicapped Wins Company An Award

Interstate Life & Accident has received a citation from Gov. Ellington of Tennessee for its policy of hiring the physically handicapped.

In receiving the award, H. Clay Evans Johnson, Interstate president, said, "We are pleased to accept this citation on behalf of the physically handicapped persons employed by our company, but we are more pleased that many other employers are now discovering that these handicapped people can and do perform valuable services in the business world.

The citation was awarded by the governor's committee on employment of the physically handicapped.

B.M.A. Increases Advance Premium Rate To 4%

Business Men's Assurance has increased from 3% to 4% the rate of interest for discounting premiums paid in advance. The new rate was effective Jan. 1 for premiums paid in advance after that date.

At the same time, B.M.A.'s board approved an increase in rate paid on policy proceeds left with the company to accumulate at interest. The new rate is 3½% as compared with 3¼% formerly.

Dividends on certain classes of fully paid life and endowment contracts will be increased and the basis of dividends on participating premium paying policies remains the same.

Brotherhood Mutual Life has moved into its new $1 million home office building in Fort Wayne. Located on a 27-acre tract, the building is of modern design. Leading agents of the company were honored at a reception, open house and banquet last month and dedication services will be held Jan. 21.

Tax 'Leakage' In Financed Insurance Is Attacked By Ways-Means Panelist

"Leakage" from the tax base through use of the interest deduction in the purchase of financed life insurance was attacked by Ray Trammell, professor of law at the University of Arkansas, in a paper presented in connection with the ways and means committee panel discussions of revenue code revisions.

The portion of the paper dealing with this use of tax deduction was quoted in a bulletin sent to the members of Assn. of Advanced Life Underwriters and is given below, followed by comments by J. Milton Cooper and Leonard L. Silverstein, counsel and executive directors of AALU.

There is still leakage from the tax base through the interest deduction where the deductible amount is paid on loans to buy insurance, endowment, or annuity. The commissioner has resisted deduction of interest where the money was borrowed for non-income producing purposes. See Preston vs Commr. (132 F. 2d 763 (C.A. 2, 1942)), for example.

The Treasury has proposed a deduction not be allowed for any amount paid under these personal insurance plans. Your committee has acted several times to tighten up this area. See Code 264. The latest amendment prevents deduction where a substantial number of future premiums are deposited with the company, treating this as a single premium contract.

The commissioner has ruled (Rev. Rul. 94, 1954-1 Cum. Bul 53) that "interest" payments are really just premium payments where the purchase was loan inspired. Court decisions conflict on whether this is "interest"—compare U.S. vs Bond (258 F. 2d 577 (C.A. 5, 1958)) with W. Stuart Emmons (31 T.C. 26)—and have led to a judicial requirement of a bona fide borrowing purpose.

The arrangement is to finance, by borrowing against the cash value of the policy in order to buy insurance and pay premiums thereon. An interest-deductible loan is used to purchase an asset, the earnings of which are not currently taxable and may never be taxed. At the heart of the problem is the rule that these premium payments are a personal expense and not deductible. The advantage is for the high bracket taxpayer. The deduction which is created saves tax dollars for him to the extent that the net cost of the policy is less than the amount accruing to his cash surrender value and he also receives the insurance protection.

Shows Tax Advantage

By reason of the deduction against high bracket income, he can borrow at an interest rate which, after the deduction, is less than what the policy will earn for him. Thus at a 50% bracket, 4% interest has a net cost to taxpayer of 2%. The borrowed sums may be placed so that the policy accumulates a 2½% rate of return. One-half of 1% is clear gain (not all credited to surrender value, however, since cost of insurance coverage and company overhead must be paid from this amount).

This shelter also shows advantages when the gain is taken down at maturity. Where the cash surrender value is collected or on maturity, the basis to be subtracted from the amount received is the premium cost not including interest. Since the premium rate includes the insurance cost (agent's fees, e.g.) often the cash surrender amount does not exceed the basis (premiums paid). If the policy is one of life insurance and collected only by reason of death, the appreciation is never taxed under the income tax law. Code 101(a).

These tax advantages encourage the promotion of a sale for a small cash payment and a loan for the balance. The interest deduction reduces the

(CONTINUED ON PAGE 18)

Now! A Group Major Medical Plan that works to stabilize premiums

Here is a forward step in the control of a costly situation:

New England Life offers a new kind of Group Major Medical Plan. It is based on what is called a "Benefit Period." This Benefit Period includes all covered accidents and illnesses. It is designed to act as a stabilizer within the plan. As a result, premiums become more stable without loss of meaningful coverage.

You will be hearing a great deal about this and other effective controls in New England Life's Group Major Medical Plan. The new Plan is a valuable addition to the "kit" of the men who represent New England Life. It will also be of increasing importance to brokers everywhere.

NEW ENGLAND
Mutual **LIFE** *Insurance Company*
BOSTON, MASSACHUSETTS

THE COMPANY THAT FOUNDED MUTUAL LIFE INSURANCE IN AMERICA — 1835

125th ANNIVERSARY OF OUR CHARTER

Minnesota Mutual Enters A&S Field

Minnesota Mutual Life, after two years of study, has entered the individual A&S field. Coverage will be for loss of time only, and not for hospital or medical expenses.

Under provisions of the policies to be issued, insured will receive monthly payments to replace a portion of the income he may lose through disability. Depending on the type of disability and the options chosen, monthly payments may start as soon as the first day of disability to as long as 180 days from date of disability and continue to age 65 or even for life.

The types of policies to be offered include:

Professional and executive policy, which in addition to A&S benefits, offers lifetime payments for disability and an option to continue insurance after age 65; mortgage protector policy; accidental injury protection policy which covers disability due to accidents only.

The policies are non-cancellable and guaranteed renewable to age 65.

Skutt To Keynote HIA Group Insurance Forum

V. J. Skutt, president of Health Insurance Assn., will be the keynote speaker at HIA's annual group insurance forum, Feb. 8-10, at the Drake Hotel, Chicago. Mr. Skutt is president of Mutual of Omaha.

Milton J. Goldberg, director of research of Equitable Society, will be the speaker at the forum's annual luncheon, Feb. 9. Title of Mr. Goldberg's speech is "Needles from the Ivory Tower."

LIAMA Membership Now At 359 Companies

The directors of LIAMA have approved a number of companies for membership in the association, bringing total membership to 359—246 in the United States, 45 in Canada and 68 associate members with home offices in other countries.

New members are American Casualty & Life, Dallas; Cherokee Life, Nashville; Employers' Life, Boston; Family Fund Life, Atlanta; Farm Family Life, Delmar, N.Y.; Harrison National Life, Indianapolis; Independent Life & Accident, Jacksonville; International Service Life, Fort Worth, and Kentucky Central Life & Accident, Anchorage, Ky.

Also, Life of Alabama, Gadsden; London & Scottish Assurance, Toronto; Massachusetts Indemnity & Life, Boston; National College & University Life, Atlanta; North American Reassurance, New York; Patriot Life, New York; Praetorian Mutual Life, Dallas; Southwest Indemnity & Life, Dallas, and Union Trust Life, Milwaukee.

New associate members are Commercial Union and Legal & General of London; Prudential of Australia; Royal London Mutual; South East Ins. Co. of Bangkok, and Cooperative Life of Oslo.

Hayes Gets Nod In La.

In the run-off primary election in Louisiana this week, Rufus D. Hayes, insurance commissioner, was reelected by a majority of more than 100,000 over Paul C. Tate, plaintiff's attorney of Mamou. This is considered tantamount to election, though the final election is held in April.

Mr. Hayes is completing a four year term in the office.

Insurance Law Section Of New York State Bar Assn. To Hear Devereux Josephs

Devereux C. Josephs, former chairman of New York Life, will be the speaker at the executive committee meeting there of the New York State Bar Assn.'s insurance law section, Jan. 27, at the Manhattan club, New York City.

Mr. Joseph's address will be the first one of the section which is being held in conjunction with the association's annual meeting. The section will continue its proceedings on Jan. 28 with a one-day program on insurance subjects at the Hotel Biltmore.

Prudent American Life Of Ohio Begins Operations

Prudent American Life of Cleveland has begun operations with $300,000 capital and $200,000 surplus.

R. R. Pierce is president. He is president also of New York Central Mutual Assn., which has 40,000 members and which owns all the stock of Prudent American. Both organizations have headquarters at 335 Euclid Avenue.

New York Central Mutual writes hospitalization and A&S on railroad and affiliated company employes. Prudent American will offer life coverages, sharing office space and personnel with New York Central Mutual, but the companies will operate exclusively.

Roger H. Close is sales director of Prudent American. He formerly was with the railroad division of Continental Casualty, and since 1947 has been with Western Reserve Life of Cleveland, which he helped organize.

Allstate Sets Up Separate Texas Insurer

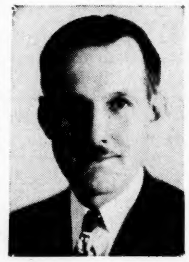
Allstate, the giant auto insurer affiliate of Sears, Roebuck, has organized a life insurance subsidiary in the state of Texas titled Cross Country Life. The company is capitalized at $500,000, of which $350,000 is surplus.

In other states the life insurance operation of Allstate is conducted by Allstate Life, which already has more than $1 billion in force. In Texas, however, there is an All States Life that is headed by B. F. Biggers. Allstate and All States Life tangled in the Texas courts four or five years ago and Mr. Biggers was allowed to retain his name.

Cross Country Life will use the Allstate sales facilities in 65 locations in Texas which are supervised by regional offices at Dallas and Houston, and service offices in Fort Worth, San Antonio, Austin, Lubbock, Beaumont, Corpus Christi, Tyler and Texas City. Allstate has more than 260,000 policyholders in Texas, mostly automobile insured, at an annual premium income exceeding $20 million.

Gastil To Head New Western Setup For Conn. General Life

Walter G. Gastil, manager for Connecticut General Life at Los Angeles since 1934 and immediate past chairman of General Agents & Managers Conference of NALU, has been promoted to director of agencies for the western states, a new position.



Walter G. Gastil

The expansion program also includes opening two more agencies in Los Angeles and enlarging the offices in San Diego and Long Beach.

Mr. Gastil will direct field operations for more than 20 offices in California, Arizona, Washington, Oregon and Colorado, where the company's total life insurance in force is more than a billion dollars.

Thomas C. Simmons, assistant manager at Los Angeles, will suceed Mr. Gastil.

The new Los Angeles agencies will serve general insurance men and their clients. One office, to be headed by Richard A. Balue, will be at 6434 Wilshire Boulevard. He has been with the Los Angeles agency since 1937 and last year was appointed its director of brokerage services.

Memphis Manager Moving

The other new Los Angeles agency, at 210 West Seventh Street, will be headed by Frederick G. Carpenter, head of the Memphis brokerage agency since 1957.

The San Diego and Long Beach agencies, until now district offices of the Los Angeles office, will become separate agencies. Robert K. Gault and Dale W. Harding, who have been serving as district managers at San Diego and Long Beach, respectively, will assume the increased responsibilities of agency managers.

Am. United Initiates Management Program

American United Life initiated a new management training program and an "Agencies in Action" recruiting campaign during its 1960 agency manager's meeting at the home office.

The management training program consists of one-year's study, a week at the LIAMA school in Chicago during the summer and two management courses offered by the American College. The "Agencies in Action" campaign, organized to promote recruiting and selection of new manpower, was set up for the next 24 months.

Philadelphia A&H Assn. To Meet

Philadelphia A&H Underwriters Assn., at the Jan. 19 meeting, will hear a discussion on individual noncancellable selling vs association group sales. Speaking for individual non-can will be Frank Willis, Massachusetts Indemnity, Wallace Higgins, Travelers; Robert A. Phillips, Mutual Benefit H.&A., and Donald McLean of Massachusetts Indemnity will moderate. Association group panelists will be Joseph Grubb, Educators Mutual; Gordon Conwell, broker; Harry Stewart, Aetna Life, and William Kirk, Occidental Life of California, will be moderator.

List Speakers For N. Y. State Managers Feb. 19-20 Meeting

Five speakers representing five different methods of agency department operation will discuss the theme "The Next Decade and the Agency System" at the annual management conference of New York State Life Underwriters Assn. Feb. 19-20 at the Queensbury Hotel, Glens Falls, N. Y.

R. G. Engelsman

The speakers will be John D. Brundage, president of Bankers National Life, Harold J. Cummings, president of Minnesota Mutual Life, Alexander Hutchinson, vice-president in charge of the field force of Metropolitan Life, Raymond C. Johnson, vice-president in charge of marketing of New York Life, and Edmund L. Zalinski, executive vice-president of Life of North America.

30-Minute Talk By Each

Each speaker will give a 30-minute talk, which will be followed by a period for questions and discussion.

Chairman is Ralph G. Engelsman of New York City, sales consultant to banks and insurance companies and former general agent there for Penn Mutual Life. This will be the 20th annual conference, the meetings having been originated by Mr. Engelsman when he was president of the state association.

As reported in last week's issue, the meeting will be held at Glens Falls because the traditional meeting place, the Gideon Putnam Hotel at Saratoga Springs, is no longer being operated during the winter.

This year the association has chartered an Eastern Air Lines plane to transport the New York City members to Glens Falls and return. Managing Director Spencer L. McCarty, Provident Mutual, Albany, has received more advance registrations than for any previous meeting. Others wishing to attend should contact him promptly for hotel reservations and transportation information.

Great Southern To Refund Post-Mortem Premiums

Great Southern Life will refund to beneficiaries the part of the premium which would have applied to coverage after death of insured. The post-mortem premium refund will apply retroactively to all policyholders.

The company has declared a 3¾% interest rate on dividend accumulations. The interest rate on supplementary contracts without life contingencies will be 3½%. Excess interest will be allowed on supplementary contracts regardless of contractual provision.

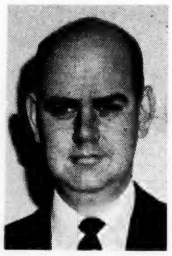
Top Agents Win Mink Stoles

Twenty-nine agents of Old Equity Life have won mink stoles for their wives or best girls. The winners are members of the President's Club—those agents who have written 300 apps during 1959. In addition to receiving mink stoles, each valued at $700, the agents were awarded a gold pin set with a diamond.

Home Office Changes

Washington National

Dr. Donald A. Anderson has been promoted to associate medical director. He joined the company as assistant medical director in 1957 and before that had been a staff physician with Veterans' Administration Research Hospital in Chicago and a faculty member of Northwestern University.



Raymond Crapo

D. A. Anderson

Raymond L. Crapo has been appointed associate actuary in the group department. He joined the company as assistant actuary in December of 1958. He began in insurance in 1953 and is a fellow of Society of Actuaries.

Evan C. Gollan has been promoted to 2nd vice-president and comptroller. He has been with the company 36 years, as comptroller since 1958. Clifford P. Fohr has been named 2nd vice-president and assistant treasurer, mortgage loans and real estate. He has been with the company since 1927. F. L. Ramey, in charge of the weekly premium claim division, becomes a 2nd vice-president. He began in the insurance business in 1924 and has been with Washington National since 1926.

Roy C. Neuhaus, 2nd vice-president, has been transferred to the securities division of the investment department; George P. Binnie, associate manager of the weekly premium claim division since 1957, becomes manager; Miss Melba DeLisle, 41 years with the company, is promoted to manager of the claim division, ordinary life department; Miss Louise Jacobs, a 30-year veteran, becomes manager of the policy title division, ordinary life department, and John F. Kosick is the new manager of the A&S record division. He became an executive assistant at the home office after several years in the company's Los Angeles general agency.

Also, Lawrence E. Gartman has been named manager of the field service division, district agency department. Formerly a field auditor, he has been on the home office staff since 1954. R. C. Holder is promoted to assistant manager newspaper accident department; C. Holmberg to assistant manager mortgage loan division; Robert Whiteside to assistant director of sales promotion, and E. Herbert Hanson to building superintendent.

Variable Annuity Life

Roy W. Aikman has been elected vice-president. He is an associate of Society of Actuaries and was formerly actuary of Fidelity Life of Regina, Canada. His entire career has been in administrative and actuarial life insurance work.

Business Men's Assurance

William L. Lobb is resigning as assistant treasurer Feb. 26 to join Teacher Retirement System of Texas. Mr. Lobb has been with B.M.A. since 1948. During the last several years, he has been securities section head in the investment department. His successor has not yet been named.

Lincoln National

John P. White, advertising manager, and Lionel Schwan, editor of agency publications, have been promoted to the newly created positions of director of marketing and director of agency publicity and publications, respectively. Mr. White joined Lincoln National in 1935 and became advertising manager in 1946. Mr. Schwan went with the company in 1957.

American Liberty Life

G. D. Harrison, assistant vice-president, has been promoted to vice-president. He has been in the business 20 years.

Robert M. Crisler Jr. becomes assistant treasurer. He has been auditor since going with the company after eight years with the Mississippi department.

New assistant secretary is A. Lamar Harrison. He has been with the company two years.

Colonial Life

George Cushman Jr.

George Cushman Jr. has been appointed assistant superintendent of agencies. He has been a supervisor with the Camps agency of John Hancock at New York and before that was with Mutual of New York and Phoenix Mutual at Rochester, N. Y.

Prudential

Donald S. MacNaughton, associate general solicitor since 1958, has been promoted to associate general counsel. He joined Prudential's legal staff as an associate counsel in 1955, after having been deputy superintendent of the New York department for two years.

Alfred C. Linkletter, director of construction since May, has been named executive director, home office building and plant department.

Standard Of Oregon

Hiram E. Whiteley has been named 2nd vice-president and assistant sales director. Mr. Whiteley entered the life business in 1928 and joined Standard in 1947. He was elected assistant vice-president and superintendent of agencies in 1957.

United Benefit Life

George Chittenden has been appointed sales director of the Great Lakes region. He was formerly on the staff of the company's management school. Before that he was assistant manager of the Mississippi agency for five years.

Great Southern

Ward P. Pohly has joined the company as agency assistant. He entered the business in 1948 and went with Allstate in 1954, becoming branch sales development manager for Texas, Okla-

homa and New Mexico. He has been agency director of Spartan National Life since last January.

American United Life

Max W. Hittle has been appointed manager of agencies and Edward E. Thomas assistant manager of training. Mr. Hittle began in insurance with

Edward E. Thomas

Max W. Hittle

Northwestern Mutual Life in 1944. He joined American United Life as assistant superintendent of agencies in 1954 and became superintendent of agencies in 1959. Mr. Thomas has been with the company four years as agency assistant. Before that he was with New England Life for five years and supervisor at Philadelphia for Manufacturers Life for two years.

North American Life, Ill.

Frank W. Sarsfield has been appointed sales promotion director. He has been with the company since 1957 as agency assistant.

Andrew F. Cordischi has been named director of training. He joined the company in 1958 and was named agency assistant last year. Prior to joining North American, he was with Equitable of Iowa.

Joseph Lemmer Jr. has been appointed agency development supervisor. He has been with the company since 1956.

National Fidelity

Louis J. McAvoy has been appointed director of group sales.

LINCOLN LIBERTY LIFE has appointed Curtis A. Daniel director of field services and James R. O'Neal field supervisor for south Texas.

SENTRY LIFE has appointed James P. Jacobs executive vice-president and Robert F. Froehlke vice-president of operations. Both are with affiliated Hardware Mutuals of Stevens Point.

NORTH AMERICAN UNION LIFE—William J. Franklin has been appointed manager of the A&S department.

TIME of Milwaukee has appointed G. B. Liddiard comptroller. He has been with Life of North America, Berkshire Life and Great-West Life.

LIFE OF KENTUCKY—Joseph P. Pike has been elected a vice-president. He joined the company a year ago as administrative assistant.

ASSOCIATES LIFE of Indianapolis has promoted John F. Murphy to agency vice-president. He has been superintendent of agencies.

GUARANTEE RESERVE LIFE has appointed Mrs. Irene Krizman assistant secretary. She has been with the company 14 years.

NATIONAL LIFE OF CANADA has promoted G. M. Drury to vice-president of administration and H. Sider to treasurer. Mr. Drury has been comptroller since 1948, and Mr. Sider became assistant treasurer last year.

STANDARD SECURITY LIFE has appointed John R. Bickford as superintendent of the A&S division. He has been administrative assistant to the vice-president in charge of the A&H division of United States Life.

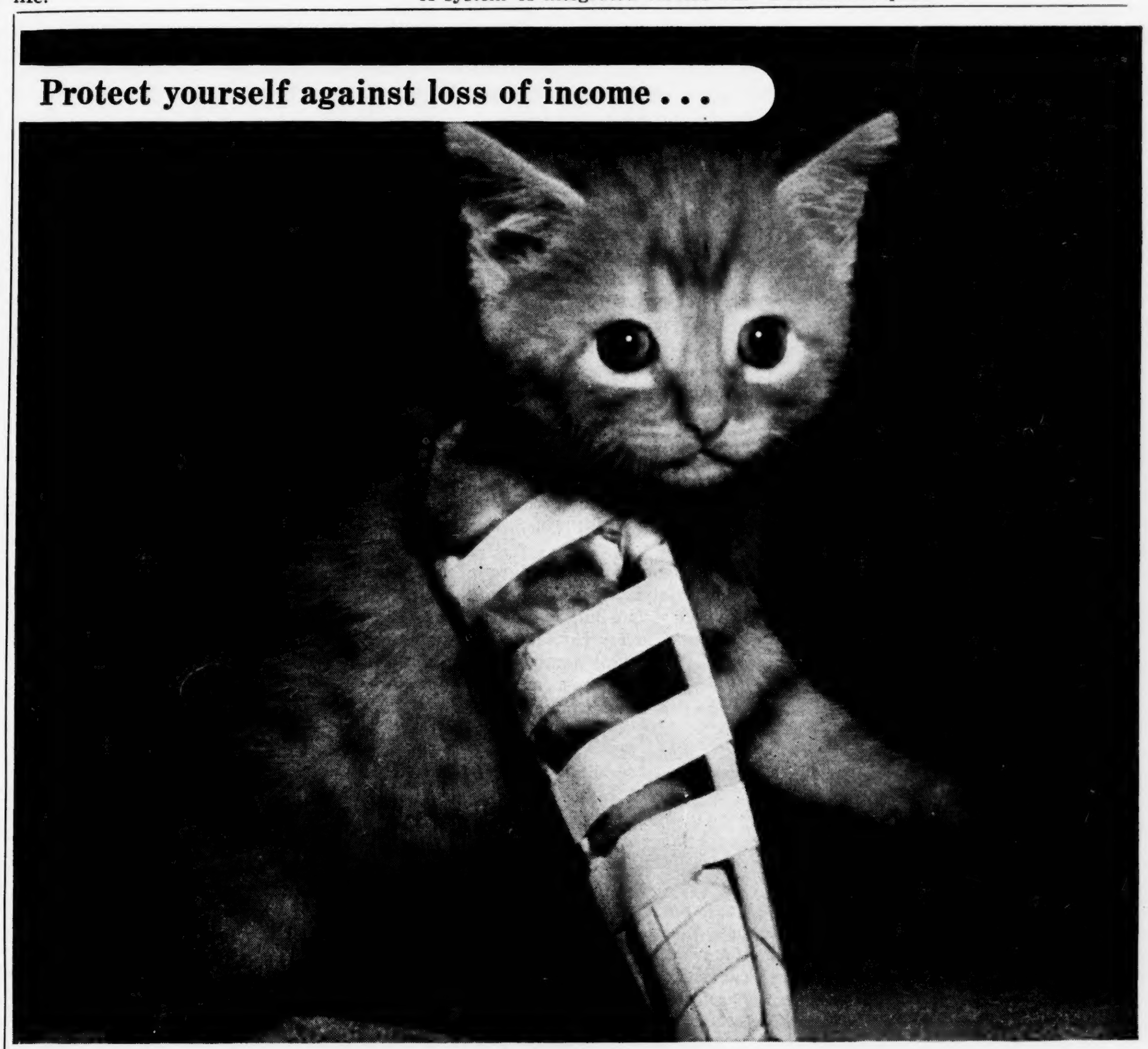
American Penn Life has issued its first policy for $1 million on a single life.

Minnesota Blue Shield Ads Plug 'Integrated Service'

ST. PAUL—"Integrated service" is the term used by Minnesota Medical Service Inc. (Blue Shield) to attract business in extensive advertising being done throughout Minnesota following the plan's break with Blue Cross. As a result of the schism, the latter and Blue Shield now compete, each writing both hospitalization and medical-surgical coverage.

"A system of integrated service has been instituted through which all matters pertaining to your medical care coverage will be handled directly by Blue Shield," the ads read. "This new method of operation has come about chiefly as the result of Blue Shield's determination to bring welcome new benefits to subscribers and to be assured of the freedom to further expand benefits in the future, guided only by your needs and desires."

The decision to expand coverage was the issue upon which Blue Cross and Blue Shield split.



Editorial Comment

What Should A Group Supplement Do?

Precisely how would the "group supplement" policy that we have proposed at various times work out in actual practice? Some readers have expressed interest in the answer to this question, so we'll try to explain what we have in mind.

Essentially, the group supplement policy would be an individually purchased contract that would dovetail with a man's group coverage so as to give him all the features of permanent cash-value life insurance without compelling him to pay for the death benefits already provided by the group policy.

If he should lose the group protection through retirement, change of employment or any other cause, the group supplement policy would insure against death to the extent of its face amount. At the same time the premium would be increased to reflect the fact that the GS policy, and not the group contract, would be taking care of death payments. This higher premium would mean a relatively small increase, nothing like the usual premium at conversion, for it would be the same as the policyholder would be paying had he bought a regular policy of the same type and amount at the time he purchased the group supplement contract.

Let's take the case of J. Joseph Doakes, a young executive whose company has provided him with $100,000 of group term insurance, with the corporation paying the entire premium. If it weren't for this group coverage, Joe would probably own at least $50,000 of permanent life insurance if he had been properly motivated. But he won't buy it because $50,000 plus the $100,000 of group, plus maybe a little policy he bought in college, add up to so much coverage that it doesn't seem worth the added outlay.

At the same time, Joe is uneasy about building his insurance program so largely on that $100,000 of group coverage. More thoughtful than most of his fellows, he is quite conscious of its limitations. It will run out at retirement, if he stays with the company that long. He'll be badly underinsured if he should go into business for himself or go with some other employer who has no group program or only a trifling one.

Yet it sticks in his craw to pay for $50,000 of death protection he figures he doesn't need, just so he can enjoy the advantages of permanent cash-value life insurance. He knows, of course, that he can convert his group term coverage if he should face the loss of it, but he also knows the hideous cost of converting after he gets along in years—plus the fact that the need to convert could well come just when the money to do it with was the scarcest.

Let's suppose, however, that a group supplement policy is available to our young executive. Because it is available, he is visited by a competent agent who otherwise would think it a waste of time to try to sell anything to a fellow with $100,000 of group coverage.

The agent suggests a group supplement contract based on an ordinary life policy. The only way it differs from a regular policy is that it will pay no death benefit as long as Joe's group coverage is at least as much as the group supplement policy's face amount. If Joe has no group coverage or it falls below the face amount of his group-supplement policy, the latter will pay off in the event of death.

Of course, at the time Joe loses his group coverage the premium on his group supplement contract is raised to what it would have been had he bought the same policy without the death-benefit-exclusion feature. Obviously, this would be substantially less than the cost of converting a like amount of group insurance at his attained age.

What would happen if Joe didn't lose his group coverage entirely but it dropped below the face amount of his group supplement policy? He would pay the higher premium only on the difference between the group supplement policy's face amount and the group insurance he still had.

In principle, the group supplement policy is merely a means of giving the customer what he wants and needs without making him pay a price that includes features he neither wants nor needs. Also, it automatically provides that if and when these presently unneeded features become wanted and needed they will be available.

But what might the "bugs" be in such a policy? Could it be sold for enough less than a regular policy to make it attractive to enough buyers to be worth issuing? Could agents sell it in sufficient volume to be worth their time? Can individuals with large amounts of group insurance be made to understand the desirability of starting at once to give their group coverage this insurance against loss of the coverage and the high cost of later conversion? Or will these people persist in regarding group coverages as being as good, for their purposes, as permanent cash-value life insurance?

Also, what about "bugs" from the insurer's point of view—possible anti-selection, legal problems, troubles with state laws and insurance departments? And might some of the steps that an insurer might have to take as self-protection make the policy objectionable to buyers?

First, would such a policy be salable? For if it wouldn't, the answers to the other questions are unimportant. Admittedly, it sounds a bit daft to ask a man to buy a life insurance policy that may not even have a liability for a death benefit until he has retired. Yet in principle the combination of group plus a group supplement is exactly the same as the coverage provided by any permanent type of individual policy.

In effect, the agent is saying to Joe Doakes, "Here's the policy you admit you'd be buying if it weren't for this big group coverage. The only difference is that as long as you have the group coverage we give you a discount so you're not paying for coverage that your boss is buying for you."

Admittedly such a policy would sound strange—but so do all new developments at first. Once the psychological hurdle has been leaped, it should be easier to sell a $50,000 group supplement plan than a regular policy for the same amount, because by combining the GS policy with group, the certificate holder is getting all that he would from a regular $50,000 policy—but is paying less for it.

But what about the legal rights of the parties to the contract? What about adverse selection and its prevention? What about the possibility that the insured might have group insurance that he was concealing from the group supplement insurer? Joe Doakes might have $100,000 from his employer, which he disclosed to the GS insurer, but he might also have through his professional society, for example $10,000 of group coverage that he failed to mention to the group supplement insurer. Probably the best answer is to regard the GS policy as supplementary only to group insurance provided by the employer. (It would not matter whether such insurance was contributory or all paid for by the employer.)

Then there's the little question of what happens to the cash, loan and other non-forfeiture values that would accumulate under the group supplement policy. Obviously, the insured must be free to avail himself of them or the policy wouldn't be doing its job. But suppose they are still intact and he dies while still protected by group insurance for more than the face of the GS policy. Is the reserve kept by the GS insurer? Or is it paid to the beneficiary?

To be as similar as possible to regular permanent insurance, the reserve would have to be kept by the insurer, even though it involved modifications in state insurance laws. To prevent deathbed loans aimed at beating the insurer out of the reserve, the GS policy would have to provide that any policy loan would have to be backed by an assignment against proceeds of any group insurance provided by an employer.

This problem of collecting policy loans on the GS policy could of course be eliminated by providing that the cash value would be paid to the estate under the circumstances that have been outlined. This would necessitate a higher premium rate for the GS policy but this might not interfere materially with its salability. In fact, there well might be a good market for both forms.

On either basis, or both, it would seem highly desirable to at least experiment with a group supplement policy. It could do a job that badly needs doing, for the agent and for many group-insured members of the public. The agent who believes that life insurance is a lot more than just death protection would have a chance to sell the investment and emergency-fund values of permanent life insurance.

Instead of fighting something he has scant chance of beating, the agent would be enabled to use group as the foundation on which to build many sales. Instead of talking about jumbo group's deficiencies he could offer a way to cure them.—R.B.M.

L. D. Cassady Named Asst. Ky. Commissioner

L. D. Cassady has been appointed assistant insurance commissioner of Kentucky. For 10 years Mr. Cassady has operated an agency in LaGrange, and he has had 17 years in the life business with Western & Southern and Independence L.&A.

THE NATIONAL UNDERWRITER

The National Weekly Newspaper of Life and A&S Insurance

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Personals

John S. Pillsbury Jr., president Northwestern National Life, has just returned from a skiing trip to the Scandinavian countries and Switzerland.

Charles E. Becker, president of Franklin Life, has been endorsed for election as a delegate to the 1960 Republican national convention.

Charles W. V. Meares, vice-president, personnel, of New York Life, has been named chairman of the commerce and industry coordination committee for the 1960 fund campaign of the American Red Cross in New York.

Kenneth Mullins, vice-president in charge of the general agency department of Washington National, and Mrs. Mullins, both members of the U. S. Curling Team, are in Switzerland to take part in the international curling competition being held there. A heavy competition schedule includes matches in St. Moritz, Bern and Zurich, as well as a number of other cities. There will also be a large number of official social activities. The trip which is also in the nature of a vacation for Mr. and Mrs. Mullins, will include visits to points of interest all over Switzerland. They will return to the U. S. about Jan. 27.

Deaths

EARL D. KREWSON, who retired as manager of New York Life at Washington, D. C., in 1949, died of a stroke at St. Petersburg, Fla. He had been with New York Life for 45 years.

WILLIAM J. HUNT, 51, assistant treasurer in charge of the mortgage loan department of Central Standard Life, died in Little Company of Mary Hospital in Chicago. He had been with the company for 27 years and before that was with its predecessor company, making a total of 35 years.

YETTA G. SAMFORD, a director of Liberty National Life, died at a Birmingham, Ala., hospital following surgery.

President Walter O. Menge (left) of Lincoln National Life, presents first printed copy of new book, "Lincoln's Youth, Indiana Years," to R. Gerald McMurtry, director of Lincoln National Life Foundation. Louis A. Warren (center), director emeritus of foundation, is author. Book, which provides more information about Lincoln's life and background in Indiana than has heretofore been gathered in a single work, will be added to foundation's archives.

Stocks

By H. W. Cornelius of Bacon, Whipple & Co. 135 S. La Salle St., Chicago, January 12, 1960

	Bid $	Asked $
Aetna Life	88½	91
Beneficial Standard	15½	16½
Business Men's Assurance	39½	41
Cal.-Western States	112	116
Commonwealth Life	21	22
Connecticut General	361	366
Continental Assurance	159	162
Franklin Life	83	85
Great Southern Life	82½	85
Gulf Life	20	21
Jefferson Standard	95	98
Kansas City Life	1420	1450
Liberty National Life	62	64
Life & Casualty	21½	22½
Life of Virginia	51¾	53½
Lincoln National Life	251	256
National L. & A.	118	122
North American, Ill.	16	17
Nw. National Life	98	102
Ohio State Life	350	375
Old Line Life	72	75
Republic National Life	85	88
Southland Life	98	103
Southwestern Life	59	62
Travelers	87½	89
United, Ill.	46	48
U. S. Life	42	44
Washington National	56	58
Wisconsin National Life	39	41

Conventions

Feb. 8-10, Health Insurance Assn., annual group forum, Drake Hotel, Chicago.

Feb. 15, Insurance Economics Society, executive commitee, Drake Hotel, Chicago.

Feb. 19-20, New York Life Underwriters, general agents & managers conference, Queensbury Hotel, Glens Falls.

Texas Tri-City Sales Congress, Feb. 25, Dallas; Feb. 26, San Antonio, Feb. 27, Houston.

Feb. 26-27, Institute of Home Office Underwriters, midyear executive committee meeting, Hollywood, Fla.

March 14-16, Life Insurance Agency Management Assn., agency management conference, Royal York Hotel, Toronto, Canada.

March 20-24, National Assn. of Life Underwriters, midyear, Louisville.

March 24-25, Society of Actuaries, eastern spring meeting, Mayflower Hotel, Washington D. C.

March 28-30, Life Office Management Assn., debit insurance forum, St. Charles Hotel, New Orleans.

April 11-13, Life Insurance Agency Management Assn., accident & sickness meeting, Edgewater Beach Hotel, Chicago.

April 27-29. Life Insurance Agency Management Assn., combination companies conference, Hollywood Beach Hotel, Hollywood Beach, Fla.

May 5-6, Society of Actuaries, western spring meeting, Roosevelt Hotel, New Orleans.

May 9-10, Assn. of Life Insurance Counsel, midyear, The Greenbrier, White Sulphur Springs, W. Va.

May 9-11, Home Office Life Underwriters Assn., annual, Sheraton-Plaza Hotel, Boston.

May 10-12, National Assn. of Insurance Commissioners, Zone V spring meeting, Biltmore Hotel, Oklahoma City.

May 16-18, Insurance Accounting & Statistical Assn., annual, Hotel Sherman, Chicago.

May 16-18, Health Insurance Assn., annual, Statler Hilton Hotel, Dallas.

May 19-23, MDRT annual, Hawaiian Village Hotel, Waikiki Beach, Hawaii.

May 25-27, Life Insurers Conference, annual, Roosevelt Hotel, New Orleans.

May 30-June 1, American Life Convention, medical section, The Greenbrier, White Sulphur Springs, W. Va.

May 30-June 3, National Assn. of Insurance Commissioners, annual, Fairmont Hotel, San Francisco.

June 22-25, Texas Life Underwriters, Brownsville.

July 7-9, International Assn. of Insurance Counsel, annual, The Greenbrier, White Sulphur Springs, W. Va.

July 17-20, Consumer Credit Insurance Assn., The Greenbrier, White Sulphur Springs, W. Va.

July 21-23, National Assn. of Life Companies, annual, Skirvin Hotel, Oklahoma City.

August 22-24, International Federation of Commercial Travelers Insurance Organizations, annual, Queen Elizabeth Hotel, Montreal, Canada.

August 30-Sept. 2, National Insurance Assn., annual, di lido Hotel, Miami Beach.

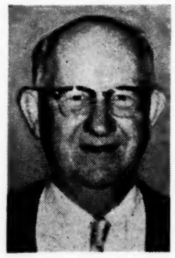
Sept. 11-16, National Assn. of Life Underwriters, annual, Statler & Mayflower Hotels, Washington, D. C.

Sept. 18-21, International Claim Assn., annual, Whiteface Inn, Whiteface, N. Y.

Changes In The Field

Lincoln National

J. L. Lawrence, general agent at San Antonio, has retired after 40 years with the company. He was honored by company executives and friends at a banquet at San Antonio. Mr. Lawrence joined the company as a cashier in Texas and in 1943 became general agent and superintendent of Texas agencies. He will be replaced by Robert W. Jackson, who recently joined Lincoln National.



J. L. Lawrence

Thomas L. Quick, regional group manager at Salt Lake City for four years, has been transferred to Montclair, N. J., to a similar post. He succeeds D. J. Neuhouser, who becomes supervisor of the Beardslee agency there. Mr. Quick, with Lincoln National since 1954, will be replaced at Salt Lake City by Warren L. Anderson, who has been in group sales at the home office.

Stephen J. Klos has been appointed supervisor of the Smith agency of Phoenix. He has been an agent with the company since 1957.

Union Central Life

James K. Babcock has been appointed agency manager at Rochester, N. Y. He was an agent and supervisor for Monarch Life there from 1954 to 1958 and, since 1958, has been a unit supervisor for Provident Mutual.

Manufacturers Life

W. Needham Clark has been appointed manager of a new Hawaiian branch. The company was previously represented in Hawaii by Von Hamm-Young agency.

John Hancock

Gerald Ryan, group manager at Chicago, has been appointed central group regional director, succeeding Theodore W. Leet who becomes assistant director of group sales and service at the home office. William P. Northey, group manager at Philadelphia, succeeds Mr. Ryan, and Ernest J. Wolcott, group manager at Norfolk, succeeds Mr. Northey. Richard G. Thompsen, home office representative at Cleveland, takes over the Norfolk post.

Northwestern Mutual

Claire A. Thomas has been appointed co-general agent with Frank R. Horner at Madison, Wis. Mr. Thomas, with the company since 1946, joined the Horner agency in 1951 and became assistant to the general agent in 1957. Mr. Horner joined Northwestern Mutual in 1919 and has been general agent at Madison for 24 years.

Frank R. Horner

Claire A. Thomas

Carolina Home Life

Harry W. Meadows has been appointed director of agencies for Georgia and Florida. He has been with Life of Virginia, Prudential and Mutual of Omaha.

Colonial Life

Roger J. Byrne has been appointed superintendent of agencies for northern New Jersey with headquarters in East Orange. He joined Colonial in 1949 as a member of the ordinary service and issue department and later became an agent at the East Orange ordinary branch.

Roger J. Byrne

Minnesota Mutual

Otto K. Stohr, assistant regional group manager at Milwaukee since 1955, has been promoted to regional group manager there. He has been in group insurance since 1952.

Appointed group representatives are William McMonigal at St. Paul; Edward F. Malone at Dallas; James Ort at Los Angeles; Robert L. Hultman at San Francisco; Kenneth Beavens at Chicago, and Darrell A. Warner at Atlanta.

Equitable Society

Named managers of new agencies at Fort Worth and Houston are, respectively, Roy M. Martin, district manager at St. Louis, and Walter D. Bradley, unit manager at Houston. Mr. Martin has been a director of St. Louis Life Underwriters Assn.

Ernest M. Barber Jr., unit manager at Richmond, Va., has been appointed manager at San Antonio. He joined

Equitable as a member of the Memphis agency managed by his father, E. M. Barber, in 1946, later becoming unit manager at Charlottesville, Va.

Franklin Life

Joseph B. Clarken has been appointed regional manager of South Carolina at Columbia. Since 1953, he has been with Mutual of New York,

Joseph B. Clarken

J. Harold Ervin

for the past year as manager at Lexington, Ky.

J. Harold Ervin is the new general agent at Springfield, Ill. He had been with Prudential for 23 years, most recently as staff manager at St. Louis.

Herbert L. Phillips has been appointed district manager at Beaumont, Tex. Formerly manager there for Prudential, he has been in life insurance since 1952.

John L. Gorman Jr. has been appointed district manager at Santa Ana, Cal. He was with Prudential seven years before going with Franklin Life.

Jefferson National

David A. Reeves has been appointed regional superintendent for Indiana. With the company since 1946, he has been general agent at Indianapolis for the past 11 years.

New general agents are William J. Schilling at Eau Gallie, Fla.; Albert A. Cassedy, Washington, D.C.; Eual C. LeGrand, Willoughby, O.; Robert E. Duncan Jr., Cleveland; L. Raymond Wolf, Peoria Heights, Ill.; Charles R. Holbrook, Ashland, Ky.; Ottie Lee Little, Miami; Malcolm L. Rinker, Fort Lauderdale, and Glenn E. Orrison, Frederick, Md.

Great Southern

Guy McMackin has been transferred from Mobile to Lubbock, Tex., as assistant manager. He has been with Great Southern since 1950, the past four years as manager at Mobile.

Replacing Mr. McMackin at Mobile is Jack Gill, who has been assistant manager at Baton Rouge. He has been in insurance since 1954.

Life Of North America

Robert F. Rink, formerly supervisor of training at the home office, has been made manager at Pittsburgh. He joined the company in 1958 at Pittsburgh.

Roy P. McCloskey has been appointed assistant manager at the Miami agency. He was formerly with Massachusetts Mutual and Prudential.

Mutual Trust Life

I. Henry Curtiss Jr. has been appointed general agent at Chicago.

PACIFIC MUTUAL LIFE—G. W. Redman has been named manager of the company's San Francisco claims office. At the same branch, Stephen J. Zoccoli was made assistant manager and Nemecio R. Madrid, claims representative.

LINCOLN LIBERTY LIFE has appointed Ben Marroquin district manager at Austin, Tex.

North Amer. Life To Double Stock Dividend

Directors of North American Life of Chicago are recommending a 10% stock dividend to stock of record Feb. 15. The stockholders will vote on the plan Feb. 9.

The 10% dividend compares with the 5% stock dividend paid a year ago. It is contemplated that the usual cash dividend will be paid if the stock dividend is approved.

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Equitable Of Iowa Raises Advance Premium Discount

Equitable Life of Iowa has increased the discount rate for premiums paid in advance from 3% to 3½%. The new rate is subject to the previous limits for acceptance of premiums paid in advance of not more than 20 annual premiums or $50,000 on any one life.

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December life sales of **North American Life** of Chicago were 31% above December, 1958. A&S premium volume exceeded December, 1958 by 7%.

Midland Mutual Raises Dividends, Interest

New dividend schedules established by Midland Mutual Life are expected to increase payments $300,000 in 1960. Interest rates on funds left with the company have also been increased. Dividends left to accumulate will draw interest at 3½%.

The interest rate on premium deposits, supplementary contracts not involving life contingencies, pension plan conversion funds, agent's retirement plan contributions and agent's deferred compensation funds will be increased from 3% to 3¼%.

Midland Mutual has raised the limit of issue for the Income Protection Rider for decreasing term from $20 to $30 monthly per $1,000 of face amount of basic policy. Short term premium rates have been decreased for all ages except age 0.

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Mutual Trust Raises Interest

Mutual Trust Life has increased the interest rate on dividends and settlement option monies left on deposit with the company to 3½%.

Lincoln Natl. Changes Reinsurance Form Title

Lincoln National Life has notified its reinsurance clients that it has redesignated its form of reinsurance known as Yearly Renewable Term, or YRT, to Risk Premium Reinsurance—RPR. The new terminology, the company declares, is more accurately descriptive.

The company statement points out that "actually, the reinsurance is not 'renewable' from year to year at the option of either the ceding company or the reinsurer, but is continued in force so long as the original insurance on which it is based remains in force without reduction. The reinsurance cession, or policy, is a permanent contract binding on both the ceding company and the reinsurer, with a period of coverage exactly equal to that of the original policy, death benefits equal to the net amounts at risk under the original policy each year, and premiums which usually vary from one policy year to the next but which are payable over the period of coverage."

Tax 'Leakage' In Financed Insurance Is Attacked By Ways-Means Panelist

(CONTINUED FROM PAGE 6)

net cost to less than the added value produced by the policy.

While the depositing of a substantial number of future payments with the company is treated as if a single premium contract had been acquired—code 264—there is no restriction on deduction of interest on funds borrowed to pay current premiums. This problem was before the committee at the time of consideration of the technical amendments bill of 1957 (Treasury, "Problems for Technical Amendments Bill of 1957," committee on ways and means, hearings on technical amendments, pp. 95, 168, 325, (1956)).

The suggestion that interest be disallowed if the policy was obtained under a plan which contemplated that a substantial number of premiums be paid through indebtedness was rejected because of the subjective nature of the test proposed. The problem remains where money is borrowed to carry an annual payment policy.

Policies Built To Support Loans

Insurance policies have been rewritten and recomputed in order to facilitate the use of these policy-stripping plans. Higher initial cash surrender values have been provided so that the collateral will support the loan. There is evidence that not all companies agree that these plans are in the best interest of the industry. There is some actuarial danger in spreading the cost of the insurance coverage over longer periods of time in order to create higher initial cash surrender values.

I have no specific information as to current figures on incidence of these plans. Recent increases in interest rates on conventional loans affect the problem, but may merely shift the loan from bank loan to company-carried plans. If disallowance is decreed, some thought must be given to the occasional hardship case where insured must borrow in order to meet a current premium, though this was not necessarily contemplated when the policy was purchased.

There is evidence from the latest cases that the commissioner is making progress in attacking these profitable arrangements effected through the deduction for interest by urging the form/substance dichotomy of Gregory vs Helvering (293 U.S. 465 (1935)). That solution, however, requires litigation and the result is unpredictable in individual cases without it.

Solution—The committee might draft [a provision] along these lines: Interest on personal loans shall be disallowed if the taxpayer's tax bracket is such that a deduction for interest would so mitigate the cost of credit that increment from investment of the borrowed money exceeds the cost of his credit.

Or, the cost of the policy computed on surrender or at maturity might be reduced in the amount of interest paid to acquire or carry it to the extent allowed or allowable, giving a postponed effect to the disallowance. (Cf Chapin vs McGowan, 58-1 U.S.T.C., p. 9469—Taxpayer cannot deduct interest from gain at maturity.) This might be accompanied by an amendment to code 101(a), treating the disallowed interest as income received from a decedent where unsurrendered life insurance is collected at death.

This approach is similar to code 170 (b) (4), reducing the amount of a deductible contribution by the amou of interest required in order to mak it. Some attention might also be give to defining "indebtedness" in cod 163(a) if motive in borrowing is to b considered.

In their bulletin to members of th Assn. of Advanced Life Underwriter Messrs. Cooper and Silverstein a tack the Trammell statement abo and warn of possible consequences the ways and means committee mee ings:

Professor Trammell devoted tw tightly packed compendium pages the alleged "evils" of the interest de duction. You will notice that the en tire statement is based upon his fir sentence which assumes, as a fac the very matter about which there dispute.

"There is still leakage from the ta base through the interest deductio where the deductible amount is pai on loans to buy insurance, endowme or annuity."

This blithe assumption of "leakage without supporting material or argu ments, colors his entire statemen However, even Professor Tramme recognizes: "If disallowance is de creed, some thought must be given t the occasional hardship case whe insured must borrow in order to me a current premium, though this wa not necessarily contemplated whe the policy was purchased." He doe not expand on what form th "thought" should take.

Your AALU counsel are now exam ining the transcript of the testimon of Professor Trammell for a report i a forthcoming bulletin.

Warns Of Consequences

We cannot too strongly impres upon you that the current ways an means committee hearings are n simply another group of Congressiona hearings. It is quite possible tha there will be a revision of the interna revenue code comparable to the on that occurred in 1954. If some of th theoreticians have their way, the rev sion will be even more extensive.

There are gigantic and powerfu lobbying groups in opposition to man of the adjustments that the committe may propose. Just how successful an attempted revision in the percentag depletion provisions will be is prob lematical. Congress will have to dea with an almost omnipotent oil lobby Other industries have similar protec tive devices. In the eyes of Congres the interest deduction is not as politi cally sensitive a topic as many other Therefore, it may be exactly wha Congress ventures to change. If AALU does not defend it, the interest de duction will remain completely de fenseless among the competing de mands of political power.

We can assure all members tha AALU, through its Washington coun sel, its officers, and its legislativ committee, will take every step t maintain the interest deduction.

Talk-Back Films Train Agents By Duplicating Sales Situations

(CONTINUED FROM PAGE 2)

the inconvenience of having to rewind them on the projector spindle.

Here, briefly, is what a Seminar film is like:

The machine is turned on and projects the figure of a prospect on the screen. The film opens with a period of silence—say, 30 seconds—during which the agent may introduce himself and his company. The length of silent time is measured by a steadily diminishing white "time bar" at the bottom of the picture, which allows the recruit to estimate how much time he has to make his opening pitch. During this period, the prospect acts pretty much as he might in real life—condescending, smirking or simply playing with a pencil. When the time bar has spent itself, the filmed prospect interrupts with an objection much like the following from one of the films:

"Now wait a minute. I don't think I'd be interested in anything that takes money. You see, we just bought our house. Mortgage payments are pretty high. Between that and the taxes and putting aside a certain amount for upkeep every month, well, that's just about all I want to invest at this time."

Talk To Image On Screen

This objection is immediately followed by another period of silence, during which the image of the listening prospect remains on-screen, the time bar irrevocably records the passage of allotted time, and the recruit states his answer to the objection. When time runs out for the recruit, the prospect throws another objection at him, is followed by yet another period of silence, and continues in this manner until the end of the film.

The method, although seemingly simple on the surface, is far more complex than it would appear at first glance. Although it makes the job of the trainer a lot easier, it gives the trainee considerably more than has been described here in a simplified outline of the technique. A detailed look at the full course of five films reveals how much.

The first film, which is called the "pattern," gives the recruit an idea of how a skilled agent handles himself in a sales situation. In this movie, the beginner sees only the image of the agent, who is busy answering the objections of a prospect whose voice is heard off-screen. The situation depicted here involves a retirement income sale.

The pattern, aside from allowing the recruit to see how the job is done by an experienced man, also provides a good discussible subject for a fruitful bull session following the screening. Since the agent on-screen is purposely not a perfect model, recruits can be drawn out by the trainer to tell how they might have handled a particular objection differently, what they would have said or not said, if they had been in the same circumstances as the actor-agent.

Without realizing it, a recruit, at this point, begins to get an idea of what good selling procedures are and starts developing—and evaluating—what will be his own sales tactics.

After the trainer has allowed the bull session to run its natural course, he then turns on the second loop film, which is very much like the first, except for the fact that the prospect appears on the screen, mouthing the same excuses he did in the first film, and there are blank periods between the prospect's objections to give the recruit time to answer.

Create Own Responses

It is here where the trainer gets to see whether anything from the first film has rubbed off on his pupils, who are instructed not to copy what the agent said in the pattern film, but to create their own answers.

The first time around, a recruit may very likely botch up the interview. However, reassured that his stumbling and inexperienced approach is quite normal among beginners, he can and should improve on later reruns of this second film. Also, because the re-runs are accomplished by a machine, trainees tend to be less nervous than they would if they were role playing with an instructor and, hence, find it easier to devote most if not all their attention to the process of learning to sell.

Since many less inventive beginning agents, during their onstage period with the second film, tend to rely heavily on how the agent in the pattern film responded to his prospect's objections, Seminar's third film throws them into a cold situation.

Circumstances Different

This is the "free practice" period. Here, there is no opportunity for the recruit to develop canned or stereotyped sales techniques. The situation changes completely. The personality of the prospect is different; the circumstances are unfamiliar; and here, in the later film, the recruit is bent on selling insurance to a prospect whose family is still in its dependency period.

Now the recruit is very much on his own, as he will be in the two succeeding films—one on mortgage insurance and the other on juvenile coverage.

Each of the films, including the pattern, is broken up into two sections. During the first half of the film, the problem is for the agent recruit to convince the prospect that he should agree to discuss his insurance problems. The second half is concerned with that period after the proposal has been made and when the prospect must be influenced to make a decision. The two sections are separated on film by a title which reads "The Proposal Has Been Made."

As Seminar explains in its training manual, "This is done so that you (the trainer) can tie the course right in with the actual plans or policies which your particular company has to offer. In other words, the class assumes that during the period covered by the title, an appropriate proposal involving one of your company's actual plans or policies has been made. As the training class progresses, you may wish, from time to time, to stop one of the films at this point and have trainees actually make a proposal with yourself and their colleagues as audience."

And each film ends with the title "How is it going?" This is the time when the projector is shut off and trainer and trainees evaluate the performance, even to the point of trying to decide what could have been the actual results of such an interview had it been a real one.

Continuous Re-Runs

Because the films are packed in their special loop cartridge, each one can be run over and over again as often as circumstances dictate without inconveniencing the trainer. The technique, therefore, gives the recruit the kind of continued practice he could obtain nowhere else, not even in the field.

With each re-run, if he has any talent for life insurance selling at all, he begins to acquire greater verbal

agility and the kind of confidence that comes with knowing how to handle even a canned sales situation. Remember, the sales situation depicted in each film is canned, but a recruit's responses to that situation may be as flexible as he is able to make them.

But more than that, the training technique forces him into a position where he must think and act creatively. He learns the necessity to acquire a talent for personality reading, because the prospects he faces in each of the five films—one in the correlated practice and three in the free practice films—are totally different types, as are their needs, the type of insurance being sold to them and the way in which each product is presented.

A Variety Of Types

In the mortgage insurance film, the prospect is an executive in his late 30s, agreeable and not personally hard to get along with, but extremely brusque and businesslike. A Mr. Harrington, in the dependency period film, is a junior executive in his late 20s, has a good many expenses, tends to live up to his income and has a manner combining pretended hard-headedness and genuine concern for the future welfare of his wife and children.

The prospect for mortgage insurance is middle-class, an executive in his late 30s, a generally skeptical type who looks on the interview as a kind of shell game wherein he can match wits with the agent. He makes it obvious that, although he can afford the things he wants, he hates to spend money for what he considers unessentials. As for type 4, a Mr. Evans, he is an earnest man in his mid-30s, conservative, an executive, already has a sound protection and retirement program and is initially appalled at the idea of buying life insurance on the lives of his young children.

These gentlemen, certainly, do not represent all the types the agent in the field is going to run into in the course of even a single business day. But even their limited differences help to make the recruit very much aware that he is going to have to learn to quickly adapt himself to each changing situation as he meets it in actual field work.

The films are also useful in teaching a beginner that he should never take a prospect's answer at face value, but rather to look below the surface of the answer and to ask himself, "Just what is the prospect telling me about himself that can be turned to my advantage."

A trainer's guide to the films, which is not viewed by the recruit, gives some insight into the mechanics of how this works.

Prospect's Excuse

In the retirement income film, one of the prospect's excuses for not granting an interview is to say, "I have a company pension plan and social security. I don't believe I'll ever have any trouble getting by. I figure it's pretty much a matter of judgment how you take care of the rest."

As the guide explains, "The prospect figures his basic security is taken care of and intimates that he has other ideas about investing the rest of his money. But he does say 'get by' which shows he realizes he has only minimum retirement provision."

The guide goes on to suggest, "Be prepared to answer this line of reasoning later on. For the moment we have a chance to turn this apparent suggestion into a reason for discussing your plan."

Probes For 'No'

A mastery of this probing of the "no" answer for something to keep the interview following the desired track can be one of the most important assets a recruit will ever acquire, and is one which the Seminar course leans on heavily.

As for their usefulness as selection tools, the films probably have considerable value, but no statistical evidence to this effect is available at this time. However, since the films permit the trainer to observe a recruit under what amounts to actual field conditions, they can be exceptionally helpful in weeding out the men who have absolutely no talent for selling, no matter how good a job they have done in the educational portions of their training.

Robert W. Osler, vice-president and editor of life and A&S publications of Rough Notes, syndicators of the Seminar films, told THE NATIONAL UNDERWRITER about an Indianapolis agent who recently had a recruit who ranked high on aptitude tests, who literally breezed through his basic training course—and then found out that he could not conduct an interview without becoming actually sick to his stomach.

"We think the films would catch such a situation before the man ever went into the field. Perhaps it would have corrected the situation. Who knows?" Mr. Osler said.

Mr. Osler, who also believes that the films have definite value in training experienced agents, said, "What it amounts to is a sparring practice to keep themselves sharp. Just as the champion doesn't quit punching the punching bag, so the experienced agent should practice to stay in condition."

One-Fifth The Cost

Because the films are syndicated for use by many different companies with many different life insurance portfolios, costs of the films have been cut down to roughly one-fifth what they might be if they were tailor-made for a single company. But relative costs are hardly much of a consideration, when a training tool does the job it was designed for.

What sort of a job are Seminar's tools doing?

We can report what John G. Vlahakis, agency field supervisor of American Travelers Life, has to say about them in a letter last fall to E. W. Wohlgemuth, president of Rough Notes: "Thus far, we have had the films in use for three weeks and have shown them before our agency groups in six cities. The response has been tremendous and we feel that they will be a great help in our agency department program.

"In every agency that we have used them thus far, we have noted an immediate increase in production and we are very proud to be the first company in America to have them."

—

Associated Hospital Service of Maine has increased Blue Cross-Blue Shield rates 15 to 24% for 1960.

LIAMA Finds Agents Believe Selling To Become Tougher

(CONTINUED FROM PAGE 1)

three percent checked that they "agree" or "strongly agree" that companies are doing a good job of providing useful training materials, and 85% agree that companies are doing a good job of encouraging professional growth through CLU, LUTC, etc. Some 80% of the agents think that home office personnel are of high caliber.

On the other hand, only 60% think that companies have a good understanding of the problems an agent has to face, and a bare majority (52%) believe companies are doing everything possible to reduce agent turnover.

Slightly less than half the agents (48%) think that companies place as much emphasis on quality as they do on volume, and 46% do not think companies exert too much pressure for production.

The field continues to approve the family policy and is more "sold" on the guaranteed insurability option and premium gradation by size as developments which are likely to benefit the public.

Family Policy Well Liked

In 1958 the family policy was the development most frequently seen as benefiting the public. It still is, but the proportion of agents mentioning it has dropped from 39% to 28%. The proportions mentioning it as a detrimental development and finding the way it is sold detrimental also show some drop (from 13 to 11% and from 16 to 11%)—Undoubtedly the family policy has become less likely to be considered a "new development" this year.

The guaranteed insurability option, which went almost unnoticed a year ago, was mentioned by one agent in five, and the proportion mentioning variable annuities has increased from 3% to 9%. While there was some tendency for "low-producing" agents to mention the family policy more often than "high-producing" agents, the converse is true for variable annuities.

Under $400,000 Is 'Low'

Low-producing agents are defined as those whose 1958 production excluding group was under $400,000, high producing agents, those with $800,000 or more. Agents with less than one year's service and those who worked less than nine months during 1958 were excluded from the analysis.

In 1958 one agent in 10 mentioned premium gradation by size as a development beneficial to the public; this year it is mentioned by almost twice as many.

They continue to feel strongly that the spread of group coverage and increase in limits is detrimental to the public and themselves.

When asked about recent developments which are harmful to the public interest, this year's respondents agreed with last year's in considering the spread of group insurance as detrimental to the public interest as to their own. This objection was volunteered by more than a quarter of the agents and is more prevalent among the more experienced agents and high producers. Agency heads also mention this objection especially frequently.

At the time this survey was made, early last summer, the respondents also considered emphasis on minimum deposit and bank loan policies detrimental—although mentioned by only 10% of last year's agents, it was mentioned by 27% this year, or about the same number who mentioned the spread of group. Supervisors and managers mentioned this development even more frequently than they did the spread of group.

Concerned About Company Tax

This year's agents are more concerned with taxation of life insurance companies, a detrimental development mentioned by 10% of the agents this year compared to 1% last. (In addition, when asked to name beneficial developments, 5% of this year's men listed the Keogh-Simpson bill as beneficial from the standpoint of both the public and life agents.)

Agents appear to believe that the use of term insurance has increased and they believe this is a harmful development. This continues to be mentioned by about one respondent in seven, and again men with longer lengths of service find it detrimental more often than newer men.

Little Yen For Mutual Funds

While they sense competition from mutual funds and other investments, they have no greater desire to sell these funds, and the number who would like to offer their clients variable annuities remains about one in three.

The respondents were asked to check the lines they think agents should be able to offer clients. In view of the increase this year in competition expected from sources outside the insurance business, it is perhaps surprising, says LIAMA, not to find increases in proportions of agents wanting to offer variable annuities (32%) or mutual funds (7%). Actually, these two proportions are slightly smaller than last year's.

The high-producing agents, who were more likely than low-producing agents to consider variable annuities from the point of view of the public, are naturally more likely to think agents should be able to offer these annuities. They also are more likely to think agents should offer mutual funds.

As was true last year, in answer to the question, "Recently a number of companies that previously wrote only life insurance have begun to write other lines of insurance. Do you think this change is desirable or not?" slightly more than half of the respondents answered "desirable." However, about a fifth of those who think it is desirable specifically limited their approval to A&S insurance.

Again, four-fifths of the agents think that agents should be able to offer their clients A&S coverage. (Apparently many agents do not consider A&S one of the "other lines" referred to.) Once again, also, about one agent

in four thinks agents should offer fire and a like number think agents should offer casualty. Low producers have a greater tendency than high producers to think agents should offer these lines and also to think they should offer A&S.

Although there is no significant over-all change in opinion on the lines agents should be able to offer, there is an increase in the proportion who think life agents will make a larger proportion of their income from the sale of insurance other than life insurance.

Forty-five percent of the agents this year, compared to 39% a year ago, think the proportion of income from other lines will increase. Among agency heads, who are more likely than agents to expect an increase in income from other lines, there has been an increase from 47% to 52%. On the other hand, fewer supervisors this year expect an increase of income from other lines, 41% compared to 47% last year.

Six questions were asked in the 1959 study that were not included in the 1958 questionnaire. They are:

1. "Are you currently under contract to the company you were with when you first entered the business?" Eighty-four percent of full-time agents answered yes as did 82% of supervisors and 65% of agency heads.

2. (Asked of full-time agents only): "Did you place 50% or more of your 1958 life insurance cases with the company you were with when you first entered the life insurance business?" Eighty-seven percent said they had done so. The agents in this sample have done relatively little changing of companies and, more importantly, have continued to place a majority of their business with their original companies, LIAMA comments.

3. "Which of the following have you completed?" The percentages shown are respectively for full-time agents, supervisors and agency heads: LUTC part I, 40, 57, 42; LUTC part II, 30, 44, 31; campus, Southern Methodist University or Purdue, 6, 10, 14; CLU, one or more parts but not all, 13, 20, 14; CLU, complete, 7, 10, 22; none of these or no answer, 41, 19, 28.

Training For Six Out Of 10

"It is seen that almost six out of every 10 agents and the large majority of both supervisors and agency heads have taken some formal life insurance training beyond that offered by their companies," LIAMA notes. "When broken down by length of service it was found that the proportion of agents taking LUTC course increased with increasing service up to 10 years in the business and then dropped off sharply.

"The proportion taking CLU and campus training, however, continues to increase. The proportion of CLU graduates is higher among the high producers than it is among the lows. The drop in the proportion of 10-year men who have completed LUTC undoubtedly stems from the fact that LUTC had not been formed when most of them entered the business."

Course-Taking Analyzed

4. "Which of the following training courses have you completed?" Respective percentages for full-time agents, supervisors and agency heads were these: single-needs, package, 84, 91, 90; fundamentals of programing, 82, 93, 89; business insurance, 67, 80, 82; advanced programing, estate analysis, 49, 61, 71; pension trust, 14, 16, 31; none or no answer, 9, 5, 5.

"These men in this sample represent a highly trained group," LIAMA points out. "Obviously, the amount of training increases with increasing length of service. However, for each of the courses in training, with the exception of training in pension trust work, the proportion who say they have taken a particular course is higher for men in the business five to 10 years than it is for men in the business 10 years or more.

Report Traces Parallels

"There is little difference between the proportion of high and low producers who have had training in single-needs selling and in programing. Paralleling the differences in sales activities, however, are differences in training completed. Eighty-five percent of the highs and 61% of the lows say they have had training in business insurance; 75% of the highs and only 41% of the lows report training in estate analysis and 34% of the highs and 7% of the lows have had training in pension trust work.

"One of the chief reasons for asking about training was to compare training courses completed with the kinds of sales activities engaged in. Of those who say they have had training in the fundamentals of programing, 61% report making one or more sales involving programing. Of those without formal training in the fundamentals of programing, only 46% report making one or more programing sales.

Data Further Analyzed

The breakdown of the foregoing data showed the following (agents with less than a year in the business or reporting less than nine months' experience in 1958 are excluded):

Of agents who reported training single-needs sales 92% reported having made one or more single-needs sales in 1958; of those who hadn't had such training, only 71% reported one or more single-needs sales in 1958.

Corresponding percentages for the trained and the untrained in fundamentals of programing are 61 and 46; for the trained and untrained in business insurance, 70 and 34; for the trained and untrained in estate analysis, 53 and 16; for the trained and untrained in pension trust work, 30 and 4.

Two Conclusions Evident

"Two conclusions are immediately apparent [from the above data]," LIAMA comments. "The first is that many agents did not use their training (or, as is probable in the case of pension trust work, have limited opportunities to put their training to work)—at least in 1958.

"The other is that some agents are engaging in kinds of sales without having taken an appropriate formal training course. These agents, however, may have acquired the necessary skills either through informal training or through self-study."

First Year Premiums Studied

5. (For full-time agents): "Approximately what percent of your 1958 annualized first-year premiums came from" the following: Single-needs, package sales—less than 20%, 20 to 39%, 40 to 59%, 60 to 79%, and 80% or more. The respective percentages of respondents for these categories is 29, 18, 19, 17 and 18.

For business insurance sales, 42% of

Not American Bar But N. Y. Unit Will Offer $40,000 Under Association Plan

No change is being made in the association group plan provided by American Bar Assn. for members, through New York Life. The statement to that effect in the Jan. 9 issue attributed to Harry K. Gutmann, Mutual of New York, New York City, in a talk at Detroit, was incorrect.

Mr. Gutmann was referring to the new plan of the New York State Bar Assn. This is an individual-policy plan quite similar to franchise insurance. It is not a group case, though it will be written non-medically provided the initial enrollment reaches the percentage specified by the insurer.

The New York case will provide coverage as high as $40,000 if the insured is under age 45 and the specified enrollment percentage is met. Mr. Gutmann was misquoted on the case being increased from $20,000 to $40,000 since there is no insurance now in force.

the agents reported that none of their 1958 first-year annualized premiums came from that source, 32% of them reported 1 to 19% and 26% of the agents reported 20% or more from that source.

For simple programing, one-interview, 42% of the agents reported "none," 25% reported 1 to 19%, 20% reported 20 to 39% and 13% reported 40% or more.

For two-interview simple programing, the percentages of agents for the above brackets are 26, 31, 24, and 19.

For estate analysis, 66% of agents reported "none," 17% reported 1 to 19% and the remaining 17% reported 20% or more.

For pension trust business, 92% reported "none," the remaining 8% reporting 1% or more.

Most Based On Single Needs

"The results of this question," says LIAMA, "show that the bulk of agents' 1958 premiums came from single-needs sales and from simple programing taking not more than two interviews. As expected, major differences were found when the data were looked at by length of service and by production level.

"As production and service increase there is a sharp drop in the proportion of premiums coming from single-needs sales and a corresponding increase in the proportion coming from business insurance, estate analysis and pension trust.

Length Of Service Doesn't Matter

"Interestingly, however, the proportion of premiums derived from simple programing shows little variation from one length-of-service group to another, or between agents at different production levels. There is a slight suggestion that the men most engaged in simple programing are those with three to five years in the business—indicating that simple programing is a transition type of sale for those agents who are going to progress from single-needs selling to the more advanced kinds of underwriting."

6. "Approximately what percent of your 1958 life insuance sales were closed" in the following places: client's office, 15% of the agents said "none"; 34% said 1 to 19%; 19% said 20 to 39%; 11% said 40 to 59% and 21% said 60% or more; agent's office, 46% of the agents said "none"; 44% said 1 to 19% and 10% said 20% or more; client's home, 26% said less than 40%; 17% said 40 to 69%, 22% said 70 to 89% and 35% said 90% or more.

Most Closed In Homes

"These data show that the majority of agents are closing a majority of their sales in their clients' homes," LIAMA comments. "This is true within all length-of-service groups. However, the proportion who close at least half of their cases in the client's home drops from 86% for those in the business for less than three years to 65% of those with 10 or more years' experience.

"There is a corresponding increase in the proportion of agents closing sales in their own or their clients' offices.

"There are striking differences between high and low producers in the location of their closes: 84% of the low producers and only 42% of the highs closed a majority of their cases in their clients' homes. On the other hand, 15% of the lows and 51% of the highs closed half or more of their 1958 sales in the client's office. Forty-two percent of low producers and 75% of the highs closed some sales in their own offices.

Rep. Harrison Plans Push To Broaden SS Disability Coverage

WASHINGTON—A plan for the liberalization of social security benefits—including removal of the age-50 requirement for disability benefits and improved incentives for rehabilitation cases—will be submitted this year to a subcommittee of the House ways and means committee. Rep. Harrison of Virginia will father the plan as chairman of the subcommittee on administration of social security laws.

Mr. Harrison said that "there is no longer any justifiable basis for granting benefits to disabled persons who are 50 years of age or older and denying them to persons similarly disabled who are under the age of 50. In fact the younger disabled man is equally in need of benefits as his older counterpart."

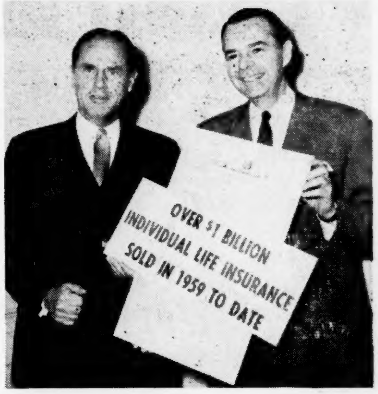
Young Disabled Experience Hardship

Mr. Harrison went on to show how family responsibilities could make disability a great hardship for a man of 35 or 40. "I am convinced," he said, "that we have had sufficient cost experience under the disability benefit provisions to warrant removal of this arbitrary requirement."

Also high on Mr. Harrison's list of things to change is a series of limitations in the present law destroying the incentive of the disabled worker to return to the job. There is no reason, Mr. Harrison feels, "to continue the requirement of a second six months' waiting period before benefits can be paid again in cases where the disabled person, who has tried unsuccessfully to return to work, is coming back on the disability rolls. The present requirement of a second waiting period is a good example of a provision which is discouraging people who are receiving benefits from taking the big step toward rehabilitation."

Mr. Harrison also favored an extension to all workers of the 12 months' trial work period which is part of the rehabilitation program now available under the state-federal vocational rehabilitation act. In the present program, said Mr. Harrison, "a strong incentive for achieving rehabilitation is denied a disabled worker who attempts such a program devised by himself, his family or friends, or conducted under auspices of private enterprise."

Mr. Harrison said that he spoke only for himself, but he urged other members of the subcommittee and the full committee to support his proposals.



Leland J. Kalmbach, left, president of Massachusetts Mutual, and Charles H. Schaaff display policy facsimile with inscription announcing more than $1 billion in ordinary sales several days before the end of 1959. This was the first year that the company's individual life sales topped the $1 billion mark in a calendar year. Day-by-day reports from the field force during December made it possible for Mr. Schaaff to notify Mr. Kalmbach as soon as sales exceeded the new milestone.

No-Interest Policy Loans Result From Zero Reserve Rate

(CONTINUED FROM PAGE 1)

in a manner similar to the payment of interest on a savings bank deposit.

The name of the company and its state of domicile will not be announced for another week or so. However, Lenard E. Goodfarb, consulting actuary here at 11 North Juniper Street, said the net cost of such a policy on the whole life basis, for example, will be no higher than the same policy on the usual basis, and in some cases the net cost may actually be lower.

Zero Assumption Is Offset

"The reason for this equal or lower cost is that the substantially increased cash surrender values that result from the zero interest assumption, in addition to the payment of interest to the policyholder on his cash surrender values, more than counterbalance the increased premium due to the zero interest assumption," Mr. Goodfarb told THE NATIONAL UNDERWRITER.

SEC Reports Individuals' Savings Grew $2.1 Billion In July-September Quarter

WASHINGTON—Securities & Exchange Commission, reporting on individuals' savings during the July-September, 1959, quarter, said, "Equity in private insurance and pension reserves grew by $2.1 billion during the quarter, $200 million more than in the third quarter of 1958. Saving of $6.6 billion in this component during the first nine months of 1959 was $1 billion larger than in 1958. Government insurance and pension reserves increased $700 million, half as much as in the preceding quarter which included self-employed social security contributions."